dominion textile inc.
annual report
1979

Corporate Profile

Dominion Textile Inc., which began operations in 1905, is the largest Canadian manufacturer of textiles and related products, with worldwide manufacturing and sales activities.

In Canada the Corporation is engaged in the design, production, finishing and marketing of a wide range of spun yarns for knitters and weavers; woven fabrics for the apparel industry including indigo-dyed denim and corduroy; consumer products such as sheets, bedspreads, blankets, towels, knitted sportswear and underwear; industrial products of cotton, man-made fibres and continuous filament yarns engineered to meet the requirements of many manufacturing and process industries.

Operations outside Canada include the manufacture and sale of denim, interlining and fusible fabrics for the apparel industry and plastic products.

The Corporation operates 26 plants in Canada and 12 plants in six other countries.

Worldwide employment at the June 30, 1979 year-end was 13 200.

The registered office is located at 1950 Sherbrooke Street West, Montréal, Québec.

Contents

Stock Transfer Agent, Registrar and Dividend Disbursing Agent
The Royal Trust Company: principal offices in Montréal, Toronto and Vancouver

Trustee: 5¾% Convertible Debentures, 1992
Montreal Trust Company: principal offices in Montréal, Toronto, Winnipeg, Calgary and Vancouver

Stock Exchange Listings
Montréal and Toronto

Annual Meeting
The annual meeting of shareholders will be held at 3:30 p.m., Daylight Saving Time, on Wednesday, 17 October 1979, at Le Château Champlain Hotel, Place du Canada, Montréal

The Cover
Woven and nonwoven fabrics manufactured by the Industrial Fabrics Division of the Corporation are components of a vast variety of products sold in both domestic and foreign markets

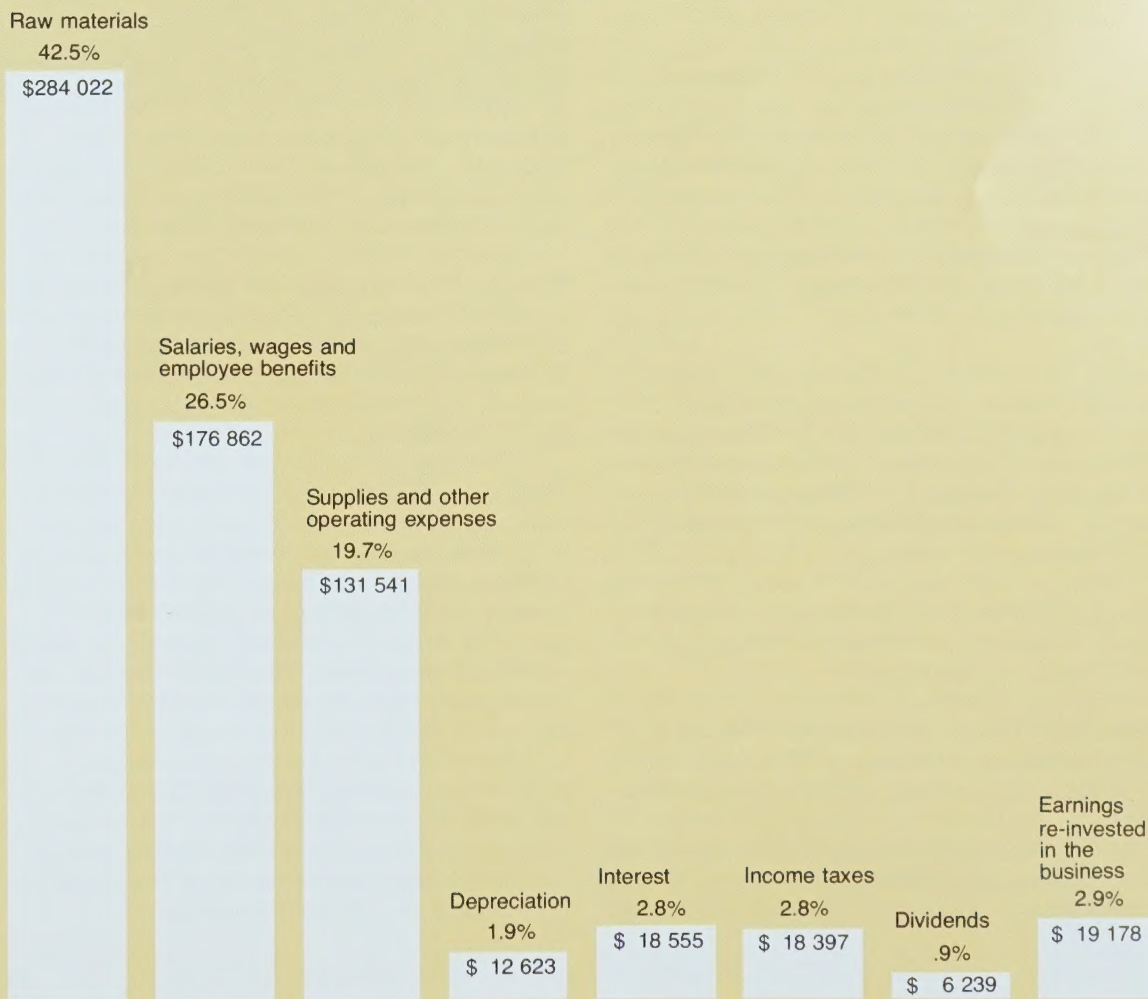
DOMINION TEXTILE...
AN EVERYDAY PART OF YOUR LIFE

Si vous préférez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, case postale 6250, Montréal, Québec H3C 3L1

Highlights (in thousands of dollars)

	1979	1978
Sales	**$667 417**	$559 965
Net income	**25 417**	18 171
Funds generated from operations	**$ 41 844**	$ 37 593
Capital expenditures	**22 213**	19 207
Working capital	**$170 801**	$134 539
Long term debt	**92 920**	108 059
Shareholders' equity	**194 995**	139 519
In dollars per Common share:		
Net income — Basic	**$ 3.02**	$ 2.31
— Fully diluted	**2.80**	2.04
Funds generated	**4.98**	4.78
Dividends	**0.73**	0.64
Book value	**19.19**	17.37
Market price — High	**15⅛**	12¼
— Low	**10¼**	7⅞

Distribution of 1979 sales dollar (in thousands of dollars)



Report to the Shareholders

The year's results

New records in sales and earnings were achieved by the Corporation this past year.

Consolidated sales increased by over $100 million and reached a total of $667 million.

Net income was $25.4 million, a substantial improvement over last year's $18.2 million and considerably higher than any other year in the Corporation's history.

Earnings per Common share of $3.02 are the highest on record, even though on average there were 7% more shares outstanding than during the previous year. These excellent results permitted the quarterly dividend to be raised in May 1979 to 22¢ from 17¢ per share.

During the year the Corporation raised $30 million of Preferred share capital and added $6.3 million to Common share capital from the conversion of debentures. These factors, combined with the year's sizeable increase in retained earnings, brought total shareholders' equity to nearly $195 million. Long term debt was reduced from $108 million to $93 million. In sum, the financial position of the Corporation is much stronger, with an improved balance among the components of capital.

Canadian operations produced outstanding results and without exception, each of the four Divisions showed profits substantially higher than the previous year. The Canadian plants operated at capacity and were hard-pressed in some areas to provide enough goods to customers despite the fact that several plants reached levels of activity and efficiency never before attained.

In the Apparel Fabrics Division the major shift during the past few years into denim and corduroy production paid handsome rewards. This applied particularly to the investment in denim manufacturing at Drummondville where, after the first full year of operation, the pay-back was excellent.

The Consumer Products Division passed the $100 million landmark in sales comfortably and had a very good year.

The Sales Yarn Division operated at capacity and maintained its status as an achiever of one of the highest returns in the Corporation.

The results of the Industrial Fabrics Division were particularly gratifying considering its recent history. Two years ago this unit did not achieve its potential but, since that time, has improved its performance remarkably.

The overseas subsidiaries and affiliates of DHJ, which had reasonably good results in 1978, came through with an even stronger performance this past year.

The record consolidated earnings of Dominion Textile were achieved despite increased interest costs and disappointing results in the United States. Income from operations in that country broke even whereas a profit had been earned in the preceding year.

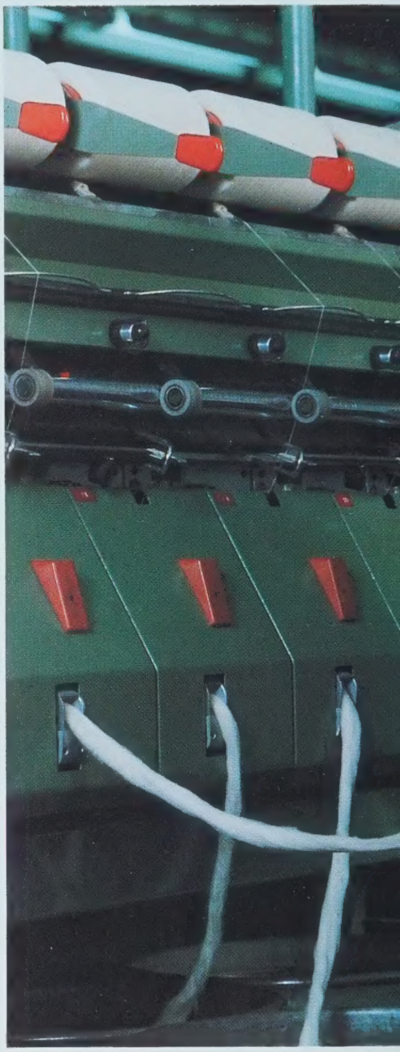
One of the major contributors to profit, Swift Textiles, got off to a weak start in a U.S. denim market over-supplied with inventory. The Swift team responded vigorously to the depressed business conditions and the second half of the year finished strongly, although the year's earnings were down significantly from fiscal 1978's results. The Interlining Division faced a chronic condition in the U.S. of excess capacity and low prices, compounded by a number of problems in the Division's finishing plant.

Interest rates rose appreciably and interest costs were $18.6 million, or $4.7 million higher than the previous year. Other factors responsible for such costs were higher average short term borrowings attributable to an increased level of business activity and termination of the first phase of the creditors' agreement entered into by DHJ Industries Inc. before it was acquired in May 1975. Under that agreement certain interest charges were either suspended or reduced substantially but these provisions ended early in the year.

The growth in earnings and sales achieved by Dominion Textile in fiscal 1979 is bound to improve your Corporation's standing among the top ten textile companies in North America.

GATT negotiations

The Tokyo Round of GATT trade negotiations which began in 1973 has finally been brought to a conclusion. While it may be some time before a detailed verdict on the total impact can be reached, the results overall are generally positive from the Corporation's point of view. These results clearly indicate that the government has recognized the importance of the textile and clothing industries to Canada and that it intends to continue to provide a suitable environment in which these industries can operate. Canada's negotiators should be commended for the way they have dealt with sensitive textile and clothing tariff items and agreements on non-tariff measures.



Ronald H. Perowne, Chairman, and Thomas R. Bell, President

The stated position to make tariff reductions on textiles effective January 1, 1982 is in concert with the position of the United States and other developed countries. It is imperative that such reductions be linked with the renewal of the International Textile Agreement which provides a framework for reasonable quantitative restraints in certain circumstances. Such restraints remain a prerequisite to assure equitable international competitiveness with countries which operate on a vastly different economic basis in terms either of wage levels or state trading practices.

Dominion Textile has over the years achieved a significant export business. The efforts at GATT to reduce certain non-tariff barriers to trade, coupled with reductions in tariffs on the part of some customer countries, should help expand this part of our business over the years ahead.

The fact that the Tokyo Round has been in progress for more than five years and that the implementation of its results will be spread over a period of eight years is proof of the complexity of world trade. No country today can afford to permit a disruption of its economy overnight. All changes should be gradual and must be carefully thought out. This, in our opinion, is the true message of GATT.

Directors

This year, we again lose the services of an outstanding director. D. Ross McMaster, Q.C., our senior director who has served on the Board since June 1962, reaches the mandatory retirement age. Mr. McMaster has made a great contribution to Dominion Textile and has earned the respect and admiration of his colleagues, as well as that of the officers and employees who have worked with him. We extend to him best wishes and sincere thanks for his efforts on behalf of the Corporation.

We are pleased to report that Mr. Alex D. Hamilton, President and Chief Executive Officer of Domtar Inc., has agreed to stand for election as a member of the Board.

Outlook

The 1980 fiscal year has commenced with the heaviest order book in the Corporation's history. The Canadian plants are operating at capacity in nearly every instance and capital expenditure programs are being accelerated both to increase production capacity and to reduce unit labour costs.

It should not be expected that Canadian operations can maintain the rate of growth which characterized last year's superior performance. There should be, however, a definite improvement in earnings from operations in the United States and from the European, South American and Asian markets.

Swift Textiles, Georgia, one of the leading producers of denim in the United States, has returned to peak production levels. Capital expenditures continue to be made enabling this corporation to make significant productivity gains and, with a strong denim market forecast in the United States, there should be a substantial improvement in earnings from this source.

As indicated previously the interlining business in the United States and particularly the plant performance in Monroe, Louisiana, have been troublesome. A number of steps have been taken and further actions are contemplated to significantly reduce overhead and bring this area of responsibility under much tighter control.

In overseas markets, continued progress is being made by DHJ in broadening the sales base to include linings for the wide variety of garment types that can only be dry cleaned. In past years DHJ had concentrated to a large extent upon the laundered shirt and blouse trade. DHJ's performance in the sale of nonwovens for a variety of industrial end uses has been particularly outstanding and shows continuing promise for the future.

After lengthy and arduous negotiations with the various unions twenty-four new collective labour agreements have been signed covering the majority of our plant employees in Canada and these, in most instances, will remain in force for three years. All of these contracts were renewed without significant work disruption and provide employees with conditions of work superior to any found in our industry on the North American continent.

During the course of the past eighteen months some 1 200 employees have been added to the workforce. Most of these people are now fully trained and your Corporation is geared for all-out, continuous production. The increased volume of bookings will lengthen production runs and further rationalize production and as long as these conditions persist we will benefit from an improved level of operating efficiency in our plants.

The costs of labour, raw materials, supplies, fuel and other forms of energy are rising, in most instances, at rates and frequencies which make it extremely difficult to estimate future profit margins. This condition, of course, is not peculiar to Dominion Textile. Many of these costs are exacerbated by the low value of the Canadian dollar. The bulk of our raw cotton, for example, comes from the United States and is purchased in U.S. dollars. The magnitude of the exchange penalty can be appreciated when it is realized that cotton purchased last year was worth $78 million in Canadian funds. Likewise, a considerable volume of textile machinery, dyes and chemicals not made in this country are purchased in hard European currencies or U.S. dollars.

Increasingly the businessman is called upon to evaluate the social and political environment in which he must operate. Nowhere is this fact more evident than in the Province of Québec where the search for political stability must be incessantly pursued to secure and strengthen the economic base so vital to the social development of all residents of Québec.

Despite repeated representations by numerous companies and organizations no change has been made in either linguistic or taxation legislation both of which continue to impose conditions more onerous on enterprises located here than are faced by competitors elsewhere in North America. We will, however, not give up in our efforts to bring these constraints to the attention of the proper authorities.

The role of the effective businessman is to carefully weigh and assess the longer term factors which will provide the climate in which his particular enterprise will flourish. Taking pertinent long term factors into account — such as the inherent value of well-organized and well-run modern plants; a capable and effective workforce; the belief that a vast majority of Québecers share the fundamental concept that their real interests are not served by operating in a quasi-economic vacuum outside the North American mainstream — your management is firmly convinced that a political and social climate will evolve which will permit the continued growth and progress of Dominion Textile.

A most successful year has just been completed and its results demonstrate the quality of personnel in Dominion Textile. Fortunately, the Corporation has an enthusiastic management team, ably supported by capable and well-trained staff and employees in all of its plants and offices.

To all of our employees, whatever their occupation, we extend our thanks and appreciation for the results achieved last year and the hope that, in this coming fiscal year, despite all the problems associated with recession, energy crises and inflation, we will succeed in producing an even better year in 1980 than the record year just ended.

Submitted on behalf of the Board

Chairman of the Board

President and Chief Executive Officer

Montréal, Québec
August 8, 1979

The Year in Review

At June 30, 1979 the Corporation had 13 200 employees, some 600 more than one year ago. Of this total, 10 900 were located in Canada, with 8 700 in Québec, 1 700 in Ontario and 500 in other provinces. Employment in the United States totalled 1 850 and the remaining 450 employees were located in Europe and elsewhere.

Of the Corporation's 38 manufacturing plants, 26 are located in Canada: 18 in Québec, 7 in Ontario and 1 in Nova Scotia. Twelve plants are situated outside Canada with 7 in the United States, 4 in Europe and 1 in South America.

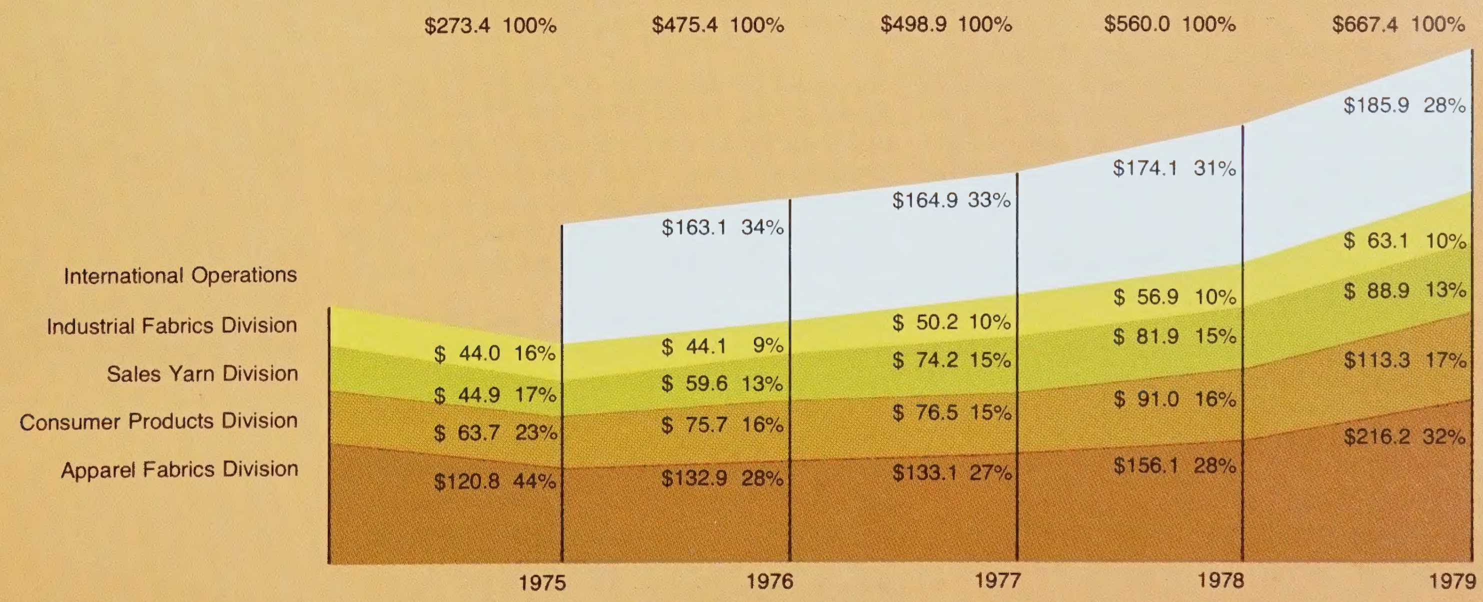
Exports from Canada in fiscal 1979 amounted to $33.1 million. Taking into account the sales of the Corporation's units in the United States and elsewhere, 32% of the consolidated sales of Dominion Textile Inc. were made outside Canada.

A report on each major business segment of the Corporation appears on the following pages.

Sales by the major product groups have been as follows in the last two years:

	1979 ($ millions)	1978 ($ millions)
Apparel Fabrics Division *Woven fabrics of cotton and blends for ladies' sportswear and blouses, shirts, nightwear, outerwear, career apparel and rainwear; jeans fabrics including indigo-dyed denim, heavyweight twills and drills and corduroy; fabrics for home sewing and furnishings. Major brand names are TEXMADE and FIRESIDE FABRICS.*	**$216.2**	$156.1
Consumer Products Division *Sheets, pillow slips, bedspreads, flannelette sheets, comforters, blankets, quilts, nonwoven blankets, towels, table fashions, knitted sportswear, T-shirts and underwear. Major brand names are TEXMADE, CALDWELL, ESMOND and PENMANS.*	**113.3**	91.0
Sales Yarn Division *Spun yarns made from cotton, wool, man-made and blend fibres for sale to knitters and weavers and many other industries.*	**88.9**	81.9
Industrial Fabrics Division *Fabrics for manufacturers to process or incorporate into a broad variety of products including sports and camping products, filters and protective covers, tires and conveyor belts, sandpapers and buff wheels, footwear and work gloves, carpets and upholstery, and many other items of general and special use. Major brand names are TEXMADE, JARO, PENROAD and FIBERWORLD.*	**63.1**	56.9
International Operations *Woven and nonwoven interlinings for shirt and other garment manufacturers; cotton and blend denim fabrics for jeans and other garments; plastic products. Major brand names are DHJ and SWIFT.*	**185.9**	174.1
	$667.4	$560.0

Sales by major product groups
(millions of dollars)



Apparel Fabrics Division

Jeans and sportswear fabrics include indigo-dyed denim, blend and all-cotton corduroy, as well as heavyweight twills and drills.

The Apparel Fabrics Division produces a wide range of fabrics in both cotton and blends of cotton and man-made fibres. The Division sells these fabrics, under the TEXMADE and FIRESIDE labels, for the manufacture of ladies' sportswear, blouses, men's shirts, nightwear, outerwear, career apparel, workwear and rainwear. Sales to the jeans trade include indigo-dyed denim, blend and all-cotton corduroy, as well as heavyweight twills and drills. A wide selection of printed and plain fabrics for the home-sewing market is offered through wholesalers and retailers. Fabrics are also sold to the home furnishings trade to be converted into curtains, draperies, slipcovers and mattress covers.

A record performance was achieved by the Division this past year in sales, margins and levels of activity throughout its eight manufacturing units. Sales of $216 million exceeded the previous year by $60 million or 38%. Half of the increase was attributable to increased sales of corduroy and denim and the balance to the more traditional apparel product lines. Total shipments, when converted into garments, would have an approximate retail value of $900 million.

While the trend in the past few years has been towards the production of heavier fabrics, unit shipments in metres have nevertheless increased substantially. Unit shipments were up by 20% over the previous twelve months and were 30% or 33 million metres higher than the quantities shipped two years earlier. Both of these factors, the heavier fabric which sells at a higher average price and the increased throughput in our plants, have had a considerable influence on the improved profitability of the Division.

While the decline in the value of the Canadian dollar and the bilateral agreements with low-wage countries over garment imports also had a significant effect on the Division's performance, a substantial portion of the gains achieved can be attributed to the planning and capital investments made over the past three to four years. A changed product mix and improved flexibility have enabled Apparel Fabrics to gain a greater share of market.

All product groups performed extremely well against a background of rising prices and costs throughout the world and in particular in the United States and the Orient. The quality North American denim markets, depressed twelve months ago, returned to a very buoyant position and corduroy continued to be in exceptionally strong demand throughout the world. Lightweight blended fabrics, after a good year, have shown some weakness in the marketplace in recent weeks, particularly in printed fabrics. Industrial uniform fabrics, one of the Corporation's traditional prime products, continued to improve on its already excellent track record. Export volume was satisfactory and could have been significantly higher had we not imposed restraints upon ourselves in order to meet our obligations to customers in the domestic market.

The Division's six greige fabric manufacturing plants operated at full capacity and were on an overtime basis wherever possible. Most of the capital expenditures for denim were made in the greige fabric plants. After the initial investment of $8.5 million was completed an additional appropriation of $7.6 million was authorized to further improve the Division's position in the denim market.

The Division's two finishing plants, Magog and Beauharnois, ran at full capacity with only minor exceptions and achieved record processing levels. Major capital expenditures are continuing at Magog on the open-width bleach range and a new Thermosol dye range will be installed starting in the Spring of 1980.

Despite the difficulties being encountered by the economies of the western world as a whole, the outlook for the Apparel Fabrics Division over the next twelve months remains optimistic. We start the new year with an open-order position 76% higher than this time last year. We face, however, a domestic background of substantially higher costs for raw materials, chemicals and dyestuffs, energy and labour.

Two of our extensive range of prints for ladies' blouses, dresses and nightwear

DIVISIONAL OFFICERS

William A. McVey
Vice-President and General Manager

Colin R. Avery
Controller

W. Hood Gambrell
Vice-President, Finishing Plants

Lawrence G. McDonough
Vice-President, Grey Manufacturing

Donald E. Suddaby
Director of Marketing

PLANTS

Greige fabric plants

Domil, Sherbrooke, Québec
Gordon McD. Shaw, Manager
Polyester/combed cotton blend fabrics for shirtings, uniforms, rainwear, tablecloths and dress prints

Drummondville, Drummondville, Québec
Oscar J. Paquette, Manager
Denim and industrial fabrics

Gault, Valleyfield, Québec
Gordon Largy, Manager
Corduroy, cotton and polyester/cotton blend fabrics for sportswear, work clothing, pocketings, draperies and industrial fabrics

Long Sault, Long Sault, Ontario
Bernard Hamel, Manager
Polyester/combed cotton blend fabrics for broadcloth shirtings, uniforms, rainwear and sportswear

Magog, Magog, Québec
Roger Bouchard, Manager
Cotton and polyester/cotton blend fabrics for dress and nightwear prints, corduroy, home furnishings and industrial fabrics

Richelieu, St. Jean, Québec
Marc Théberge, Manager
Cotton and polyester/cotton blend fabrics for sportswear, work clothing, pocketings, interlinings, dress prints and denim

Converting and finishing plants

Magog Finishing Plant, Magog, Québec
Jacques St-Onge, Manager
Bleaching, dyeing, printing and finishing; cotton, blend fabrics, corduroy and denim

Beauharnois Finishing Plant, St. Timothée, Québec
A. Richard Tremaine, Manager
Bleaching, dyeing and finishing; cotton and blend fabrics

Dominion Textile Company (U.K.) Limited, London, England

Barry J. Robinson, Director
Company's selling agent for United Kingdom and Europe

Consumer Products Division

In fiscal 1979 the Consumer Products Division again enjoyed another record sales year with shipments of $113 million, 24% higher than the previous year.

Many factors contributed to these favourable results, not the least of which was the excellent reception by the Canadian consumer of the quality and styling of a very wide range of products, merchandised under the four famous brand names TEXMADE, CALDWELL, ESMOND and PENMANS.

It would appear that the energy crisis continues to have a major effect on the successful demand for our flannelette sheets manufactured at Montmorency and our blend blankets manufactured at Granby.

To take full advantage of this increased demand $2.4 million will be spent at the Montmorency plant in fiscal 1980 to improve both the working environment and the manufacturing capacity.

At the Granby plant the installation of an Asselin lapper and needle-punching unit was completed in fiscal 1979. This is one of the most advanced processes in the world for the manufacture of fabric for blankets and, at the time of installation, was a first in North America.

A most satisfying growth was evidenced in our sheet and pillow slip sales. The total dozens shipped were at a record high and were the result of our decision to merchandise these quality products under the brand names of TEXMADE, CALDWELL and ESMOND. By the use of these three brand names we have gained an increasing share of market and we feel confident that this growth will continue. As our sheet finishing capacity is overtaxed we plan to spend close to $2 million in fiscal 1980 for additional equipment.

We are also pleased to report that for the first time in many years we are enjoying full activity at our Caldwell plant at Iroquois. Part of the credit for this goes back to the modernization program of a few years ago which gave us the equipment to produce the quality and service for a most demanding market.

We were particularly pleased with the growth of both profit and sales of the Penmans group, resulting from the decision to dedicate ourselves not only to having the best quality, style and fit but also to expand our traditional product range with the addition of leisure and active sportswear so much in demand in the marketplace.

To assist us in our merchandising efforts we formed the Penmans Sports Advisory Council consisting of Guy Lafleur, Gary Carter, Borje Salming, Peter Dalla Riva and Howie Meeker. This group will recommend sportswear styles and have the responsibility for wear-testing the garments prior to their introduction.

Quality and styling of our vast range of consumer products are highlighted here by Sachet *(Texmade)*, Flirtation *(Esmond)* and Caress Stripe towels *(Caldwell)*.

To take advantage of the expected growth in demand for Penmans products $1 million will be spent in fiscal 1980 to increase knitting and finishing capacities.

During the year, James H. Griffin was promoted to Vice-President — Marketing, Consumer Products Division. Frank H. Boone, formerly Vice-President and General Manager, Esmond Division, was transferred to the Penmans Division in the capacity of Divisional Vice-President and General Manager.

For fiscal 1980 the Division is confident that with continued emphasis on quality, styling and service the planned growth of shipments and profitability will be attained.

To assist us in our merchandising efforts, the *Penmans* Sports Advisory Council: Gary Carter, Guy Lafleur, Borje Salming, Howie Meeker and Peter Dalla Riva

DIVISIONAL OFFICERS

Harry Braid
Vice-President and General Manager

James H. Griffin
Vice-President, Marketing

Louis R. Novak
Controller

Jacques Savoie
Director of Manufacturing

PLANTS

Greige fabric plants

Caldwell, Iroquois, Ontario
Roland Johnson, Manager
Terry towels, towelling and bath mats

Sherbrooke, Sherbrooke, Québec
Raymond Nicol, Manager
Polyester/cotton sheeting for sheets, pillow slips, comforters and bedspreads

Montmorency, Montmorency, Québec
Reynald Leduc, Manager
Mop yarns, cotton sales yarn and twines; cotton flannelette blankets and blend flannelette sheets; tabling

Esmond, Granby, Québec
W. Dale Allen, Manager
Woven and nonwoven blankets, bedspreads and draperies

Penmans, Paris and Brantford, Ontario; St. Hyacinthe, Québec
Frank H. Boone, Divisional Vice-President and General Manager
Knit sportswear and underwear

Converting and finishing plant

Magog Finishing Plant, Magog, Québec
Jacques St-Onge, Manager
Sheets, pillow slips, tabling, bedspreads, blankets and flannelette sheets

Sales Yarn Division

Dominion Textile yarn is an integral part of our customers' fine products.

The Sales Yarn Division is the major Canadian producer of spun yarns of cotton, wool, man-made fibres and blends. These spun yarns (as distinct from continuous filament yarns) are sold either dyed or in their natural state principally to the knitting and weaving trades.

The Division's Hubbard plant performs commission dyeing and finishing services on customers' own knit and woven piece goods and on spun and filament yarns.

Continued growth of the market for spun yarns during the past year enabled the Sales Yarn Division to achieve a record pace. Sales of $89 million were at an all-time high.

The trend to finer yarn counts and upgraded qualities continued, and these factors contributed to a higher average price for our products.

Business conditions required us to operate all the yarn plants at capacity during the year and under such circumstances higher rates of production efficiency are more readily attained.

In spite of maximum output, enhanced further by new equipment brought on stream in the past two years, it became necessary to supplement our own production with some purchases of sales yarn chiefly from the United States. To be competitive in an international environment the Canadian textile industry cannot afford to maintain idle capacity. Consequently, it is essential that we be sure of market continuity before new manufacturing capacity is added. We feel confident now that there will be continued strength in the Canadian market and for this reason capital expenditures approved for the current year will be significantly higher than last year's spending and considerably higher than the spending of the past few years.

At the Salaberry plant in Valleyfield the additional spinning spindles referred to in the last year's report did not come fully on stream until the end of the year, due to late delivery by the machinery supplier, and there was a disappointing delay of almost six months in badly needed production. However, the new equipment has now been run in, is performing well and will add to our output next year. We propose to further modernize Salaberry's card room to increase efficiency, capacity and product quality as well as to improve environmental conditions. To free up space for the installation of twenty additional spinning frames we plan to transfer all of Salaberry's

Luxurious velour fabric is processed at Hubbard. (Top)

Cones of dyed yarn ready for packaging and shipment to our customers (Center)

Much of our yarn production is sold in its natural state. (Bottom)

twister spindles to the Domil plant. These steps will together provide a 15% increase in the plant's capacity at a total cost of more than $5 million. The work will not be fully completed until the 1981 fiscal year.

At the Domil Yarn plant in Sherbrooke, successful development work was completed on the trial units of open-end spinning installed last year and orders have been placed for additional units which will increase the plant's capacity by 20% during the current year for an expenditure of over $2 million.

Cotton remains the dominant fibre used in sales yarn, but is losing position to polyester with the major sales growth occurring in polyester/cotton blends. This past year, man-made fibres represented 45% of the Division's production by weight whereas two years ago the proportion was 30%.

Hubbard had a very active and successful year as a consequence of strong demand in the marketplace for terry and velour fabrics.

The outlook for next year seems good in the Sales Yarn Division and we should have another busy year of full production in our plants.

DIVISIONAL OFFICERS

Robert M. Wilson
Vice-President and General Manager

Paul É. Boudreault
Director of Manufacturing

Allan R. Evans
Vice-President, Marketing

John S. Logan
Controller

PLANTS

Combed and carded yarns; cotton, man-made and wool; natural, bleached and dyed

Domil, Sherbrooke, Québec
Camille Beaulieu, Manager

Long Sault, Long Sault, Ontario
Gaston Morneau, Manager

St. Anns, Montréal, Québec
André Giroux, Manager

Salaberry, Valleyfield, Québec
Jos. E. Huot, Manager

Tremont, Montréal, Québec
Paul É. Boudreault,
Director of Manufacturing

Mount Royal Dyehouse, Montréal, Québec
Alphonse G. Kelada, Manager

Hubbard Division, Montréal, Québec
Claude Lemire, General Manager
Commission dyeing and finishing of piece goods and yarn

Industrial Fabrics Division

The healthy situation that prevailed throughout fiscal 1979 in the manufacturing sector of the Canadian economy provided excellent market conditions for the Industrial Fabrics Division. Our customers, who are representative of a variety of Canadian manufacturing industries, benefited from the competitive advantage provided by the relatively weak Canadian dollar and most were able to expand their domestic sales, while several have developed interesting export programs. In consequence demand was high for industrial textiles and the Division was once again able to improve its operating performance.

Sales increased to $63 million, and each of our plants operated at improved levels of productivity enabling us to better serve the buoyant market demand.

We made direct export sales of nearly $10 million. Adding indirect exports (through our customers' sales) over 25% of our industrial fabrics were sold or incorporated into products sold in foreign markets. We are pleased by this achievement because it demonstrates that, given competitive economic conditions, the quality of our fabrics and the technology that is manufactured into them, make them commodities for which there is a good demand worldwide.

The steps that were taken in the previous fiscal year to improve controls over inventories and production also contributed to better earnings in the Division. Plants operated more efficiently, inventories were reduced and the financial returns improved. Of particular note is the progress made at our Yarmouth plant where all of the employees contributed to the fine effort that resulted in higher production levels and lower manufacturing costs. We expect that good progress will continue through the new fiscal year which will bring the plant into line with the Corporation's norms and standards for productivity and cost competitiveness.

An export consignment of industrial fabrics en route to South America. There is a good demand for our high-quality, engineered products from many parts of the world.

Photo: Courtesy of Crossworld Freight Inc

The nonwovens plant at Woodstock is being expanded by the addition of another production line which will be on stream in the fall of 1979. Nonwovens are replacing traditional woven and knitted goods in a variety of applications. It is an area of rapid development and the outlook for the coming year for this sector of the Division is very good.

We are also expanding the capacity of our V-belt cord-processing equipment at Drummondville. The Division's proprietary technology for the solvent-treating of

Photo: Courtesy of Bombardier — MLW

Our fabrics are at work in Canada's resource industries and are required in virtually every manufacturing and process industry. Conveyor belting, snowmobile tracks and industrial tires are but a few products that incorporate engineered fabrics produced in the plants of the Industrial Fabrics Division.

cord enables us to produce a specialized product of high quality for transmission belt manufacturers in Canada and elsewhere.

The economic consequences of petroleum shortages and price escalations make it difficult to predict the outlook for the next fiscal year. An economic slow-down in North America is widely predicted. Lower automobile sales have a direct impact on our industrial fabrics business. Rapidly escalating prices of synthetic yarns and fibres, together with other inflationary increases that are the direct result of oil prices and availability, are likely to result in a diminishing demand and a squeeze on profits. Nevertheless we are entering the new year with considerable momentum. We have a diversified range of products that are essential to a broad cross section of industry. Manufacturing activity generally continues to be strong in Canada and this, linked with a healthy export demand from many quarters, gives us reasonable assurance of another good year for the Industrial Fabrics Division.

DIVISIONAL OFFICERS

Alex R. McAslan
Vice-President and General Manager

Raymond Bégin
Director of Manufacturing

Michael J. Grink
Controller

Robert W. Kolb
Vice-President, Development Research

Neil K. Sanderson
Director of Marketing, Rubber Industry

Joseph M. Vesely
Director of Marketing, Nonwovens

PLANTS

Drummondville, Drummondville, Québec
Oscar J. Paquette, Manager
Textile, steel and glass tire fabrics; synthetic belt ducks; treated cords for V-belts

Fiberworld, Hawkesbury, Ontario
Claude Ferland, Manager
Polyolefin industrial fabrics and carpet backing

Jaro Nonwovens, Woodstock, Ontario
Robert E. Evans, Manager
Nonwoven fabrics for automotive, coating, furniture, filtration and other industrial trades

Yarmouth, Yarmouth, Nova Scotia
André Trachy, Manager
Woven industrial fabrics of cotton and man-made fibres and filament yarns

DHJ INDUSTRIES INC.

Charles A. McCrae
President

Norman H. Block
Executive Vice-President,
Finance and Administration

Interlining Division

The interlining operations in the United States remained the major problem area for the Corporation throughout the year. Sales volume was comparable with that of the previous year despite intense competition, but this factor, together with continuing difficulties experienced at the finishing plant in Monroe, Louisiana, resulted in an overall operating loss for the Division in fiscal 1979.

At the beginning of the year, a much higher level of sales had been forecast based on anticipated improvement in operations at the finishing plant and the introduction of new products. It was apparent early in the year that those targets would not be achieved in the short run and stringent measures were introduced to significantly reduce expenses and inventories in order to place the operation on a more appropriate footing.

William A. McVey was appointed General Manager of the Interlining Division in January 1979, in addition to his continuing responsibility for Dominion Textile's Apparel Fabrics Division, and initiated a program to further streamline the operations. The Division was realigned on a basis similar to that of the parent Corporation, management was strengthened and DHJ's position and policies in the domestic interlining market were totally reassessed.

To date substantial improvement has been achieved but the attainment of profitable operating results remains the number one priority.

DIVISIONAL OFFICERS

William A. McVey
Vice-President and General Manager

Joseph G. Salloum
Vice-President and Controller

A. Richard Tremaine
Vice-President, Manufacturing

Morton H. Zisk
Vice-President and Director of Merchandising

DHJ is a supplier of interlinings and interfacings which provide shape, support and stability for various parts of shirts, blouses, pants and other garments.

PLANTS

Collierville, Tennessee
Greenville, South Carolina
Hickory, North Carolina
Monroe, Louisiana
New York, New York

PRODUCTS

Interlining and interfacing fabrics and die-cut linings — wovens, nonwovens, fusibles
Interlining fabrics wet finishing
Fusible coating
Commission dyeing and finishing

Swift Textiles, Inc.

Last year's report highlighted the over-supplied, fragmented and distinctly weaker denim market in evidence then and predicted that the year ahead was going to be one of substantial adjustment for the industry. This proved to be an accurate forecast. During the first six months prices declined sharply and it was necessary to curtail operations to three days a week in the first quarter to balance output to the demand from cutters. Profit margins came under severe pressure.

To adjust to the temporary imbalance between demand and supply in basic denim Swift expanded its product line and developed new business in fashion jeans. The result of this

action, and a return to normalcy of the basic business, gave a very strong last six months with better prices and more satisfactory margins.

Currently demand is good. For fiscal 1980 we expect volume to be significantly higher and profits to be improved over the past year. Costs will continue to rise throughout the year and it is unlikely that all increases will be recoverable in prices. Productivity improvements have been consistently good over the last three years and it is our objective to maintain a level unit labour cost in spite of higher wage rates.

Swift Textiles, Inc. is one of the leading producers of indigo-dyed denim in the United States.

Emphasis in fiscal 1980 will be on improving yarn quality. Installation of more open-end spinning will be the major equipment improvement during the year.

Swift will continue to emphasize high performance blends which make for a distinctly better end product. The corporation has pioneered in this development and is the major blended denim producer in the industry today.

DIVISIONAL OFFICERS

John A. Boland, Jr.
President

H. Alton Conner
Vice-President, Manufacturing

Michael J. Jetton
Controller

C. Robert Koon
Executive Vice-President, Marketing

PLANT

Columbus, Georgia

PRODUCT

Indigo-dyed denim

International Division

The operations of virtually all of the Corporation's overseas subsidiaries showed improvement over the previous year and again contributed in a material way to consolidated results.

While sales in all sectors of the European operations, except nonwovens, got off to a slow start, good improvement was noted in the last quarter of the fiscal year spearheaded by strong recovery in Italy.

During the year the group added a new line of products in the garment interlining field and expects to increase sales of these products significantly in the coming years.

Sales of nonwoven products for a variety of end uses also grew at a rapid pace during the period and prospects are good for equally strong gains in 1980.

The European group in general had a successful and profitable year and the outlook for 1980 remains optimistic in the absence of any general economic recession.

Sales of the affiliated companies, which are not consolidated, remained at about U.S. $63 million for the year.

The resurgence of the demand for denim in Europe contributed appreciably to improved earnings of our Swift Textiles affiliate in Europe.

Activities in the Far East markets showed improvement over last year, although the full impact of the recent major changes in operating management in Hong Kong is yet to be felt.

The entry of the People's Republic of China into the apparel export field has created interesting opportunities for our business there and this is currently being explored.

The Latin American affiliates enjoyed a successful year and are looking forward to improved performance in 1980. Expansion in some areas is being restricted by lack of supplies as a consequence of which we are

looking to widen our sourcing of greige fabric. All companies are expected to show material gains although the results from some areas may continue to be adversely affected by exchange factors.

PRODUCTS

Interlining fabrics and die-cut linings

DHJ Industries Europe S.A., Paris, France
William N. Gagnon, President and Director General

Dubin-Haskell-Jacobson Distribution SpA, Milan, Italy
Renato Rivetti, President
Ercole Morino, Managing Director

DHJ Industries Deutschland GmbH, Bielefeld, West Germany
Dr. Ferdinand Langenkamp, Managing Director

DHJ Distribution (U.K.) Ltd., London, England
Jack Stanhope, Chairman and Managing Director

Dubin-Haskell-Jacobson de Argentina, S.A.C.I., Buenos Aires, Argentina
O. Rafael Soler, President and Managing Director

DHJ Canadian Ltd., Montréal, Québec
David Friedlander, Vice-President

AFFILIATES

Austria, Brazil, Chile, Colombia, France, Hong Kong, Italy, Malaysia, Mexico, Portugal, Singapore, South Africa, Spain, Taiwan, Venezuela

Plastics Division

The Plastics Division maintained its volume of sales and its profit at very satisfactory levels throughout the year in spite of the tremendous upward pressure on the cost of its petroleum-based raw materials. The plant operated at close to capacity and plans are underway to expand productive capability and to broaden the product range.

DIVISIONAL OFFICER

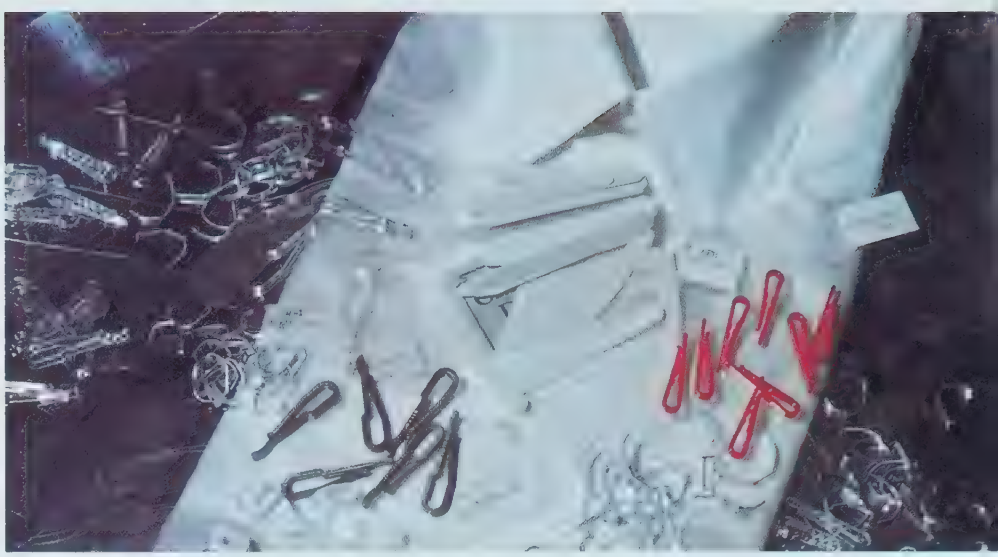
Monroe Froehlich, Jr.
General Manager

PLANT

Plymouth, Massachusetts

PRODUCTS

Collar stays, supports, injection moldings



The Plastics Division is a producer of quality injection-molded plastic parts for many industrial purposes, clips for the packaging of soft goods and die-cut apparel stays and plastic packaging components for the shirt and blouse industries.

HOWARD COTTON COMPANY

Herman F. Riddle
President
Memphis, Tennessee
Corporation's cotton buying agent

Howard Cotton Company, based in Memphis, Tennessee, is the Corporation's cotton buying agent. The main source of supply of this important raw material is the United States. Cotton continues to be the principal fibre used in making our products, and accounts for about 60% of all fibre processed by the Canadian operations.

During the year, world consumption of cotton exceeded output as a result of smaller crops in the United States and the People's Republic of China. This situation caused sharp increases in the New York Cotton Futures Market, where prices ranged from a low of about U.S. 56¢ per pound to a high of nearly U.S. 70¢. The decline of the Canadian dollar relative to the U.S. dollar further aggravated the cost of imported cotton.

The world supply of cotton for the 1979-80 season is expected to be adequate. However, increased energy and fertilizer costs to the grower, along with worldwide inflation, are likely to exert a steady upward pressure on prices.

Corporate Services

Management of the human resources of the Corporation, legal matters, public relations and relationships with government agencies at both federal and provincial levels comprise the primary responsibilities of the Corporate Services Division.

The following departments are charged with carrying out the above responsibilities: the Corporate Secretary and General Counsel, Industrial Relations, Personnel, Industrial Engineering, Tariff Administration, Linguistic Services, Economic Research and Public Relations. Two Vice-Presidents assist the Senior Vice-President, Corporate Services with the administration of the key departments within the Division.

The fiscal year just ended has been a particularly active one in all areas of the Division.

Three-year labour agreements covering the majority of our employees in Canada were negotiated. An innovative feature of these agreements is the establishment of a Productivity Council, made up of both management and labour representatives, whose purpose is to study and recommend ways and means of achieving maximum utilization of production machinery.

A comprehensive review of staff benefit programs was undertaken by the Personnel Department during the past year to assure that the Corporation's total compensation package remains competitive within the Canadian manufacturing environment. The department also worked closely with the Finance Division in the implementation of the Employee Share Purchase Plan approved as a part of the Corporation's General By-Laws at the last annual meeting of shareholders.

The Industrial Engineering Department ensures that equitable wage standards are maintained for hourly-paid employees of the Corporation and that productivity improvements achieved in our manufacturing processes are adequately monitored. A close liaison with manufacturing and Industrial Relations' personnel will be reinforced as we enter the discussions with union representatives as to the best means of achieving maximum machinery utilization in our plants.

Linguistic Services is charged with the implementation of the Charter of the French Language in our Québec operations. A provisional francization certificate has been obtained. A francization program covering manufacturing operations in Québec and a special agreement covering our head office, are presently under discussion. Provided the government agency involved takes a realistic view of the scope and depth of operations of an international head office such as ours, we feel confident that the required final certification will be successfully obtained.

During the past fiscal year, all necessary formalities concerning continuance of the Corporation under the Canada Business Corporations Act, the change of the corporate name and the preparation of new General By-Laws were duly completed by the Secretary and General Counsel's Department.

From left to right: André Bélanger, Vice-President; Frank P. Brady, Q.C., Senior Vice-President, Corporate Services; Clifton M. Beck, Secretary and General Counsel; and Hubert Chatelois, Vice-President

Domtex Around the World

- Manufacturing facilities
- Sales and distribution offices
- Subsidiaries
- Affiliated companies

Financial Services

The Finance Division is responsible for policy and information processing in the financial activities of the Corporation. Within this sphere of responsibility it also has the task of setting financial targets for, and measuring the performance of, the Corporation and its component units.

The Division is administered by the Senior Vice-President, Finance assisted by the Comptroller, the Treasurer and the Director, Systems and Computer Services who direct the activities of the following units: Corporate and General Accounting; Planning and Analysis; Taxation; Internal Audit; Money Market and Banking; Corporate Finance; International Treasury; Credit and Accounts Receivable; Payroll; Computer Operations; Computer Development and Systems; Policies and Procedures.

The Division had a very active year and accomplished all of the major objectives it had established for itself.

In the Comptroller's area, the department is actively engaged in more clearly identifying the long-range objectives of the organization and co-ordinating the plans of the operating units to achieve these objectives. Elsewhere, the change to a divisional organization structure for the operating units has required extensive changes in the systems of management reporting and financial planning and the effectiveness of these systems was improved very significantly during the year. Work is also continuing on a major study aimed at simplifying the international corporate organization structure.

The principal accomplishments of the Treasurer's area during the year included a substantial enhancement of the Corporation's foreign exchange control system, a $30 million Preferred share financing and the development and implementation of the Employee Share Purchase Plan. Elements of this department also participate actively in the ongoing study of the international organization structure. In the area of credit, the Corporation's bad debt expense was maintained at a satisfactorily low level and there were further advances in the integration of the credit and collection activities of the former Canadian subsidiaries.

Early in fiscal 1979, the Systems and Computer Services department completed two major assignments. An expanded central computer facility was established at the Head Office in Montréal following the dissolution of a computer consortium in which the Corporation had participated. This facility provides service to the Canadian operations on a twenty-four hour basis. Secondly, the department completed a three-year project to convert all input documents, computer programs, files, output reports and supporting documentation for approximately 100 systems to the Metric System. Both of these major assignments were carried out with a minimum of disruption to operating routines. Development of new computer applications is a continuing activity that has been divisionalized this year to improve the service provided to the operating units. Computer projects are now approved within each Division's planning process and are reviewed centrally to ensure technical quality and consistency with corporate information processing requirements.

From left to right: Stephen J. Weir, Comptroller; Ilay C. Ferrier, Senior Vice-President, Finance; Gordon W. Miller, Director, Systems and Computer Services; and Richard G. Munro, Treasurer

Operation Services

The Operation Services Division was formed in the Spring of 1978. It has the responsibility for providing within the Corporation a broad range of technical and physical services through the following units: Quality Control, Purchasing, Engineering, Fibre Procurement, Distribution (Company truck fleet and central warehouse), Real Estate, Communications, Insurance, and Environment and Energy.

All groups in the Division experienced an extremely active year and comments on some of their activities follow.

Activity in the Engineering group was at a five-year high. The group was involved in the design and implementation of such projects as: denim facilities at Magog, Drummondville and Richelieu; yarn capacity additions at Salaberry; new employee facilities at Drummondville and Long Sault Yarns; and the modernization of the Montmorency plant.

From left to right: Robert M. Sage, Director of Purchasing; Pierre E. de Broux, Director of Engineering; E. John Macfarlane, Vice-President; Larry L. Langille, Director of Distribution Services; Jacques B. Turcotte, Director of Quality Control; and Arthur P. Earle, Senior Vice-President, Operation Services

In the area of physical distribution management, the Division operates a fleet of forty-eight units transporting goods interplant and from plant to customer. It also operates on behalf of the Sales Yarn Division a computerized distribution centre at the converted Mount Royal plant in Montréal. Both these operations are functioning smoothly providing excellent customer service at reduced costs.

In recent years the unit cost of all forms of energy has soared and the process continues unabated. The Corporation launched a drive to eliminate the wasteful use of energy during the 1977 fiscal year. The results of this drive, coupled with an increase in plant activity across the Corporation and a shift to low energy production processes such as nonwovens and denim, have reduced the units of energy consumed per kilogram of product by 23%. This represents a saving of $3.6 million per annum. We expect further, less dramatic, gains in the years to come.

The Corporation continued its long-standing policy of spending substantial funds to improve the environment in the workplace. Major areas of investment in the past year included dust control systems, employee facilities and air conditioning equipment.

The Quality Control group carries out a continuous audit inspection of a percentage of all of the Corporation's products to ensure that high quality standards are being met. A customer technical service enables us to identify and correct quality problems early before they become serious. Recently, a program was launched to further enhance quality control activities in the Consumer Products Division.

In this period of soaring replacement costs and rapidly escalating insurance premiums, the whole question of loss prevention and protection of our facilities from loss due to fire or other causes has become increasingly important. During the past year, activities in this field were increased in order to retain and improve the excellent loss prevention record that our plants have established in the past five years.

In the Real Estate area, the Corporation was able to dispose of the Elpée plant in Shawinigan Sud, Québec, an unused property we have had on our hands for a few years. Because of the very high level of activity in the operating divisions, we were able to start re-using the LaSalle warehouse in Montréal during the year.

Financial Review

Sales

Consolidated sales reached the record level of $667 million in the year ended June 30, 1979. The increase over the previous year was 19.2% and in the past five years the Corporation's sales have nearly doubled.

Sales in each quarter were stronger than in the same quarter a year earlier. The quarterly breakdown was as follows:

	1979	1978
	($ millions)	
First quarter	**$122.4**	$116.2
Second quarter	**165.4**	145.0
Third quarter	**190.7**	145.7
Fourth quarter	**188.9**	153.1
	$667.4	$560.0

Net income

Consolidated net income was also at a record level, reaching $25.4 million or $3.02 per Common share. In the prior year, net income was $18.2 million and earnings per share $2.31.

There were $12 491 000 of the 5¾% Convertible debentures outstanding at the beginning of the fiscal year. On a fully-diluted basis, which assumes full conversion of these debentures at the beginning of the year, earnings per share would have been $2.80 compared to $2.04 in 1978.

Consolidated earnings per Common share by quarter for 1979 and the two previous years were as follows:

	1979	1978	1977
First quarter	**$0.31**	$0.28	$0.23
Second quarter	**0.67**	0.53	0.34
Third quarter	**0.92**	0.69	0.49
Fourth quarter	**1.12**	0.81	0.65
	$3.02	$2.31	$1.71*

*After extraordinary loss of $0.16 per share.

The return on Common shareholders' equity showed an improvement from 13.8% to 16.7%. This return compares favourably with the return in Canadian manufacturing industries in general and with the returns earned by other major textile companies in North America. Net income as a percentage of sales also improved to 3.8% from 3.3% in the previous year.

The inventory tax credit reduced the income tax provision on Canadian operations by about $1.5 million, approximately the same amount as the previous year. The consolidated effective tax rate was 43% compared to about 40% in 1978.

The Corporation has substantial working capital denominated in foreign currencies, particularly United States dollars. When the value of these currencies fluctuates against the Canadian dollar, foreign exchange gains or losses may arise. A gain of $790 000 was recorded in the year under review compared to a gain in the prior year of $388 000.

As in the previous year, the 20% interest in Swift Textiles held outside Dominion Textile Inc. accounted for most of the $1 075 000 of earnings attributable to minority interests.

Working capital

Working capital totalled $170.8 million at year end compared to $134.5 million a year earlier. The ratio of current assets to current liabilities improved to 2.3:1.

The Corporation's largest balance sheet item is inventories which stood at $178.5 million at year end. There was a general improvement in inventory turnover and the year-to-year increase in inventories of 13.8% was substantially below the 19.2% increase in sales recorded during the year.

Accounts receivable showed a year-to-year increase of 26.0%. However, the number of days' sales in the accounts receivable remained at the same level as a year earlier.

At year end the level of short term borrowings was $5.7 million lower than the previous year. In addition, the current portion of long term debt stood at $9.7 million, a decline of $3.4 million from June 30, 1978.

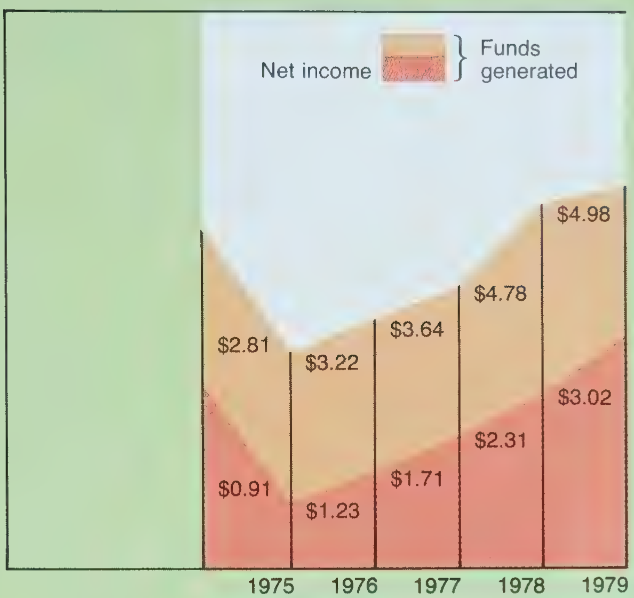
Fixed assets

In the fiscal year just ended capital expenditures totalled $22.2 million of which close to 80% was spent in Canada. The denim facility at Drummondville and expansion of yarn capacity at the Salaberry plant in Valleyfield, Québec, were the major projects of the past year.

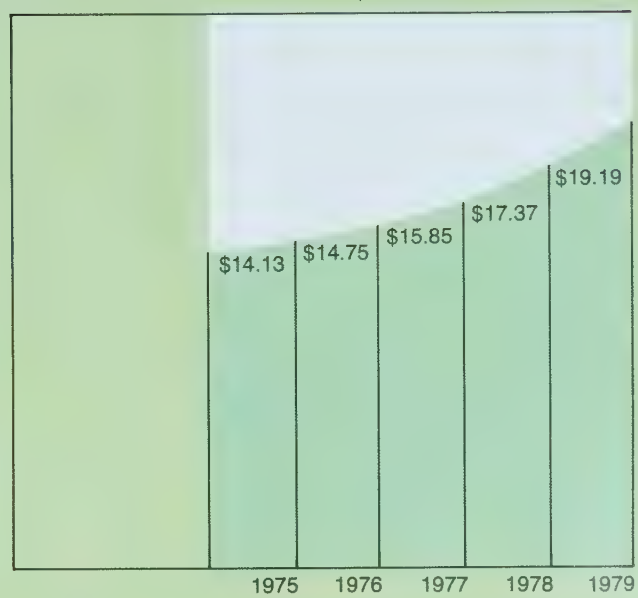
Because of the tremendous pressure on production facilities, plans call for significantly higher capital expenditures in the coming year. Close to $30 million will be spent to modernize and expand capacity and over 80% of this expenditure will be made in Canada.

As outlined in the Divisional reviews, further expansion of denim production will call for

Net income and funds generated per Common share

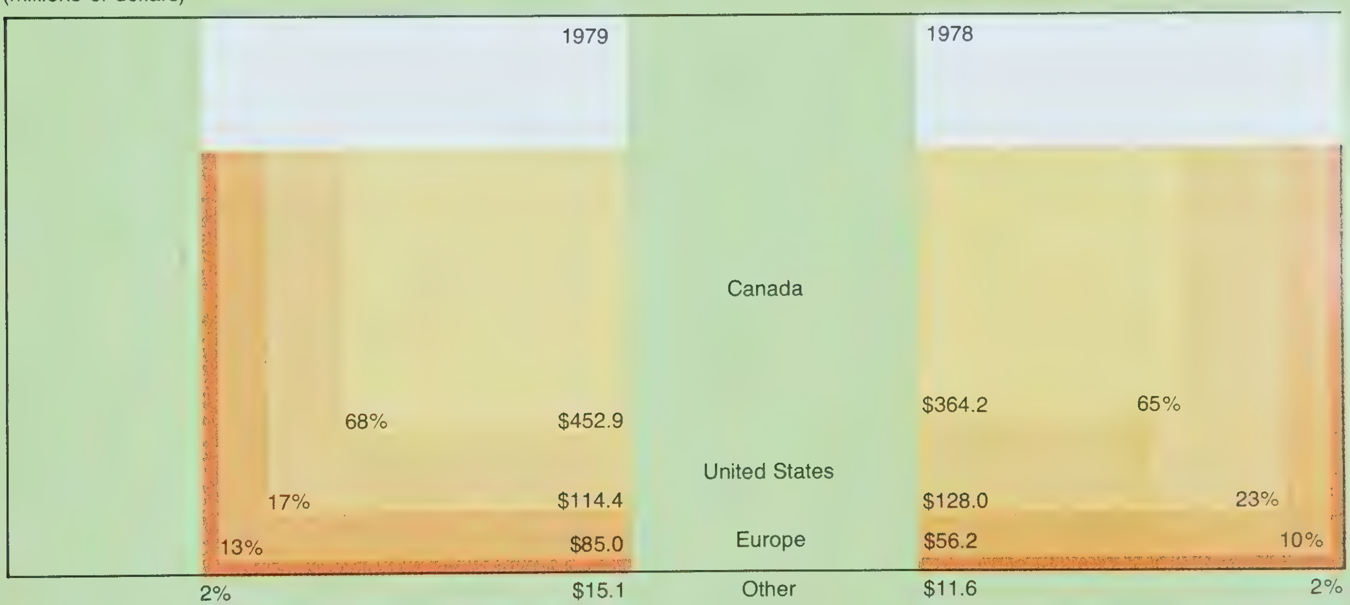


Book value per Common share



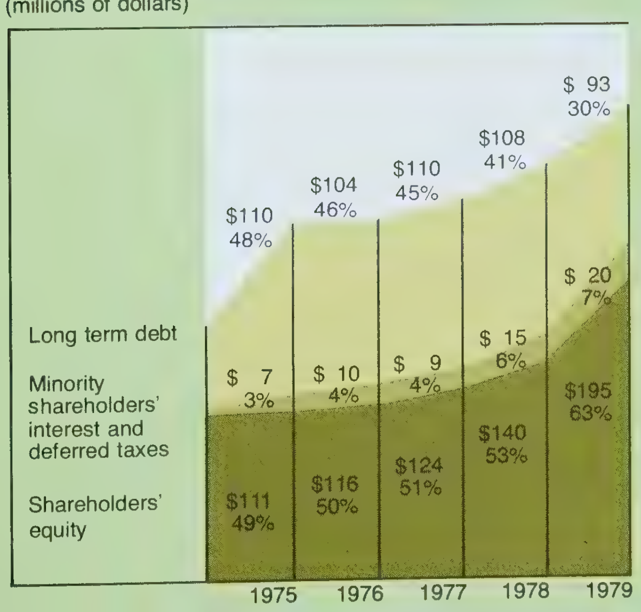
Geographical distribution of sales

(millions of dollars)



Capital structure

(millions of dollars)



about $8 million. Modernization and expansion of our finishing facilities at Magog and Beauharnois will require about $3.5 million in fiscal 1980. We will spend over $3 million to expand and modernize our yarn capacity and a further $2 million to modernize our plant at Montmorency.

Long term debt

Total long term debt was $92.9 million at June 30, 1979 having been reduced by $15.1 million during the year; $6.3 million through the exchange of Convertible debentures for Common shares and $8.8 million through the net repayment of long term debt.

The Corporation purchased $547 000 of its Series A and $797 000 of its Series B debentures during the year and at June 30, 1979 held $1 828 000 Series A and $1 237 000 Series B debentures in anticipation of future sinking fund requirements.

During the year $6 282 000 of the $5\frac{3}{4}\%$ Convertible debentures were exchanged for Common shares, reducing the outstanding amount of these debentures to $6 209 000 at June 30, 1979. The Convertible debentures may be exchanged on the basis of 90 Common shares for each $1 000 debenture until October 1982.

Shareholders' equity

As noted in last year's Annual Report, at a special general meeting following the annual meeting in October 1977, the shareholders approved a by-law providing for an increase in the authorized capital of the Corporation by the creation of 3 000 000 Second Preferred shares. In the year under review, two separate issues of Second Preferred shares were placed privately for an aggregate value of $30 million. The two issues, each for $15 million, were designated as Series A and Series B and both issues were sold to Canadian financial institutions.

During the fiscal year, under provisions of the Canadian and Québec Income Tax Acts, the Corporation capitalized $32 381 208 out of retained earnings, transferring this amount to the capital stock account and elected that the resulting deemed dividend be considered to be paid out of "1971 capital surplus on hand." This adjustment did not alter the total amount of Common shareholders' equity.

With reference to the Corporation's Common shares there were 8 580 226 shares outstanding at year end and an average of 8 383 494 outstanding during the fiscal year. New shares issued during the year included 565 380 issued in exchange for Convertible debentures and 1 714 shares issued under the Employee Share Purchase Plan which came into operation late in the fiscal year. Shares purchased by Québec-resident employees under this plan qualify for the Québec Stock Savings Plan.

At June 30, 1979 the book value per Common share was $19.19 compared with $17.37 per share a year earlier.

During the two-year period ending June 30, 1979, the market value, dividends declared and the trading volume of the Corporation's shares on the Montréal and Toronto Stock Exchanges were as follows:

Year ended June 30, 1979

	High	Low	Close	Shares traded	Dividends declared
July-September	$\$12\frac{3}{4}$	$\$10\frac{3}{4}$	$\$12\frac{3}{8}$	885 300	$0.17
October-December	13	$10\frac{1}{4}$	$11\frac{3}{8}$	441 600	0.17
January-March	$15\frac{1}{8}$	$11\frac{3}{8}$	$11\frac{1}{4}$	707 400	0.17
April-June	$14\frac{7}{8}$	$13\frac{3}{8}$	14	592 200	0.22
				2 626 500	$0.73

Year ended June 30, 1978

	High	Low	Close	Shares traded	Dividends declared
July-September	$\$9\frac{1}{8}$	$\$7\frac{7}{8}$	$\$8\frac{5}{8}$	290 400	$0.15
October-December	$9\frac{1}{4}$	8	$8\frac{3}{4}$	235 700	0.15
January-March	$9\frac{3}{4}$	$8\frac{1}{8}$	$9\frac{1}{4}$	312 600	0.17
April-June	$12\frac{1}{4}$	$9\frac{1}{4}$	$11\frac{1}{2}$	1 043 700	0.17
				1 882 400	$0.64

The dividend rate per Common share was increased for the second consecutive year effective with the dividend declared on May 16, 1979. The rate is currently $0.22 per quarter compared to the prior rate of $0.17 per quarter. The Corporation has paid a dividend on its Common shares for 72 consecutive years.

Consolidated Statement of Income
for the year ended June 30

	1979	1978
	(in thousands of dollars)	
Sales	**$667 417**	$559 965
Operating costs	**606 940**	515 982
Income from operations	**60 477**	43 983
Interest expense	**18 555**	13 838
Income from operations after interest — Note 1	**41 922**	30 145
Share in net income of associated companies	**1 233**	553
Other income — Note 2	**944**	1 213
Income before income taxes	**44 099**	31 911
Income taxes	**18 397**	12 518
	25 702	19 393
Gain on translation of foreign currencies	**790**	388
Minority interest	**(1 075)**	(1 610)
Net income for the year	**$ 25 417**	$ 18 171
Per Common share, after preferred dividends	**$ 3.02**	$ 2.31
Per Common share, fully diluted	**$ 2.80**	$ 2.04

Consolidated Statement of Financial Position
as at June 30

	1979	1978
	(in thousands of dollars)	
Current assets		
Cash and term deposits	$ 7 947	$ 4 409
Accounts receivable	114 949	91 288
Inventories — Note 3	178 454	156 789
Prepaid expenses	4 273	5 995
	305 623	258 481
Deduct:		
Current liabilities		
Short term borrowings — Note 4	42 065	47 736
Accounts payable and accrued liabilities	65 339	52 738
Dividends payable	1 889	1 368
Income and other taxes	15 808	8 955
Long term debt due within one year	9 721	13 145
	134 822	123 942
Working capital	170 801	134 539
Investments and advances — Note 5	11 933	10 991
Land, buildings and equipment — Note 6	124 237	115 988
Other assets	1 116	1 104
Funds invested	$308 087	$262 622
Financed by:		
Long term debt — Note 7	$ 92 920	$108 059
Deferred income taxes	13 784	9 289
Minority shareholders' interest in subsidiary companies	6 388	5 755
Shareholders' equity		
Capital stock — Note 9	91 808	23 129
Retained earnings	103 187	116 390
	194 995	139 519
	$308 087	$262 622

On behalf of the Board:

Director

Director

Consolidated Statement of Changes in Financial Position
for the year ended June 30

	1979	1978
	(in thousands of dollars)	
Source of funds		
Net income for the year	**$25 417**	$18 171
Depreciation	**12 623**	13 869
Deferred income taxes	**4 495**	4 839
Share in net income of associated companies in excess of dividends received	**(691)**	714
Funds generated from operations	**41 844**	37 593
Increase in long term debt	**477**	16 492
Issue of Second Preferred shares	**30 000**	—
Issue of Common shares	**6 303**	2 249
Minority interests' share in net income of subsidiaries, net of dividends paid	**632**	1 174
Proceeds on sale of fixed assets	**1 186**	599
Amortization of adjustment to carrying values of a subsidiary	**410**	2 261
	$80 852	$60 368
Use of funds		
Debentures converted to Common shares	**$ 6 282**	$ 2 249
Repayment of long term debt	**9 334**	16 266
Additions to fixed assets	**22 213**	19 207
Dividends	**6 239**	5 057
Other items — net	**522**	(165)
	$44 590	$42 614
Increase in working capital	**$36 262**	$17 754

Consolidated Statement of Retained Earnings

for the year ended June 30

	1979	1978
	(in thousands of dollars)	
Retained earnings at beginning of year	**$116 390**	$103 276
Capitalization of retained earnings — Note 9(e)	**32 381**	—
	84 009	103 276
Net income for the year	**25 417**	18 171
	109 426	121 447
Deduct:		
Dividends —		
Cumulative First Preferred	**24**	24
Second Preferred — Series A	**95**	—
Common $0.73 per share in 1979, $0.64 in 1978	**6 120**	5 033
	6 239	5 057
Retained earnings at end of year	**$103 187**	$116 390

Auditors' Report

The Shareholders,
Dominion Textile Inc.

We have examined the consolidated statement of financial position of Dominion Textile Inc. as at June 30, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at June 30, 1979 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Montréal, Québec
August 6, 1979

Accounting Policies

June 30, 1979

The Corporation follows generally accepted accounting principles, the most significant of which are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Dominion Textile Inc. and all its subsidiary companies, with provision for the interest of minority shareholders. All material inter-company items are eliminated.

The acquisitions of all subsidiary companies are accounted for on a purchase basis. For subsidiary companies acquired prior to fiscal year 1975 the net excess of the cost of the Corporation's investment over the aggregate net assets acquired has been written-off against retained earnings.

Subsequent to June 30, 1974 the Corporation acquired the shares of DHJ Industries Inc. and its assets and liabilities as at the date of acquisition (adjusted to appropriate carrying values as at that date) have been consolidated with those of the Corporation.

As at May 31, 1979 DHJ Industries Inc. has a balance of unrealized future tax benefit, arising from loss carry-forwards incurred prior to acquisition, which is available to reduce future income taxes otherwise payable. It is the intention of the Corporation to apply this credit when realized or 5% of the original amount of the upward revaluation of fixed assets, whichever is greater, to amortize the adjustment to carrying values of DHJ Industries Inc. as at the date of acquisition. For the year ended May 31, 1979 an amount of $410 000 has been so applied and the balance of the adjustment to carrying values as at May 31, 1979 was $2 701 000.

FOREIGN EXCHANGE

Current assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the statement of financial position dates. Fixed assets and long term liabilities are converted at rates prevailing at the dates of acquisition. Income and expenses in foreign currencies are converted at the actual exchange rates prevailing at the dates of transactions or at average exchange rates for the year.

INVENTORY VALUATION

Materials and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work in process and finished goods inventories includes raw materials, direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow-moving and obsolete inventories.

MARKETABLE SECURITIES

Marketable securities are valued at average cost and when they are sold, the resulting gain or loss is included in Other income.

INVESTMENT IN ASSOCIATED COMPANIES

The investment in associated companies is carried at the Corporation's equity therein and the Corporation's share of the net income or loss of such companies is recorded in the period in which it is incurred.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at varying rates which amortize the cost of the assets over their economic life.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in Other income.

INCOME TAXES

The Corporation provides for income taxes based on income reported in the financial statements. The amount of income taxes actually payable for the year may differ from the total income tax provisions as a result of timing differences between the recognition of expense for accounting and for income tax purposes. The tax effect of these differences is reflected in the accounts as deferred income taxes.

PENSION PLANS

The Corporation and its subsidiaries have a number of pension plans, both of a contributory and non-contributory nature. All pension plans are trusteed and are being funded. The current service cost portion of these plans is absorbed in the period in which the service that gives rise to the entitlement is rendered. The unfunded past service pension liability is estimated to be $6 138 000 as at June 30, 1979 ($6 962 000 at June 30, 1978) and is being amortized over a period not longer than required by actuarial estimates and government regulations.

Pension payments made to retired employees who are not covered by these plans are charged to operations when paid.

NET INCOME PER COMMON SHARE

Net income per Common share is calculated using the daily weighted average number of Common shares outstanding during the fiscal year, after deducting dividends on Preferred shares. The average number of Common shares outstanding for 1979 and 1978 was 8 383 494 and 7 855 156 respectively.

Net income per Common share on a fully diluted basis is calculated assuming that all of the Corporation's 5¾% Convertible debentures had been converted at the beginning of the fiscal year and the net income had been adjusted by the appropriate after-tax interest expense.

Notes to Consolidated Financial Statements
June 30, 1979

Note 1 — Income from operations after interest

	1979	1978
	(in thousands of dollars)	
Income from operations after interest includes provision for the following:		
Depreciation	**$ 12 623**	$ 13 869
Remuneration of directors and senior officers	**2 180**	2 117
Interest on long term debt	**9 328**	7 827
Interest on other debt	**9 227**	6 011

Note 2 — Other income

	1979	1978
	(in thousands of dollars)	
Income from marketable securities and other investments	**$ 246**	$ 294
Profit on sale of fixed assets and marketable securities	**479**	207
Royalties, commissions and other income	**219**	712
	$ 944	$ 1 213

Note 3 — Inventories

	1979	1978
	(in thousands of dollars)	
The major inventory classifications are as follows:		
Raw materials	**$ 47 649**	$ 42 366
Work in process, including grey fabric in bales for further processing	**56 982**	47 806
Finished goods	**62 907**	57 432
Supplies	**10 916**	9 185
	$178 454	$156 789

Note 4 — Short term borrowings

Bank borrowings of $12 517 000 by subsidiary companies are secured by assignment of accounts receivable and inventories.

Note 5 — Investments and advances

	1979	1978
	(in thousands of dollars)	
Marketable securities — at average cost (market value 1979 — $4 861 901; 1978 — $3 808 000)	**$ 3 380**	$ 3 347
Investment in associated companies valued at equity	**7 768**	6 776
Other investments and advances — at cost	**785**	868
	$ 11 933	$ 10 991

ote 6 — Land, buildings nd equipment — at cost

	1979	1978
	(in thousands of dollars)	
Land and buildings	**$102 669**	$100 275
Machinery and equipment	**241 908**	226 588
	344 577	326 863
Less: Accumulated depreciation	**220 340**	210 875
	$124 237	$115 988

ote 7 — Long term debt

	1979	1978
	(in thousands of dollars)	
Parent Corporation		
Secured		
Sinking fund debentures — Note 7(a)		
Series A maturing March 31, 1988 at 5⅝% interest	**$ 20 572**	$ 21 119
Series B maturing April 15, 1990 at 6¾% interest	**8 263**	9 060
Series D maturing July 15, 1989 at 10½% interest	**12 000**	12 000
Term notes — secured by Series C Collateral debenture — Note 7(a)		
Due 1980 to 1983 at 7% interest (payable in U.S. dollars)	**4 186**	4 152
Due 1980 to 1981 at a Canadian bank's prime rate plus ¾%	**1 061**	2 232
Other mortgages and loans	**1 793**	2 387
Unsecured		
Convertible debentures — Note 7(b)		
Due October 12, 1992 at 5¾% interest	**6 209**	12 491
Term notes		
Due 1980 to 1982 — Note 7(c), (payable in U.S. dollars)	**7 863**	8 846
Due 1980 to 1984 at 9½% interest	**1 650**	1 925
Subsidiaries (payable in U.S. dollars)		
Secured		
Term notes — Note 7(d)		
Due 1980 to 1984 at 11% interest	**10 331**	13 381
Due 1980 to 1984 at a U.S. bank's prime rate plus 2% interest	**5 749**	7 247
Term note		
Due 1980 to 1983 at a U.S. bank's prime rate plus an average of 1.7% interest	**3 224**	3 139
Bank revolving loan — Note 7(d)		
Due July 1981 at a U.S. bank's prime rate plus 1½% interest	**5 683**	5 018
Industrial revenue bonds		
Due 1985 to 1993 at an average of 6.7% interest	**1 080**	1 080
Mortgage		
Due 1980 to 1993 at 9½% interest	**2 222**	2 287
Unsecured		
Term note		
Due 1980 to 1981 at 5% interest	**243**	351
Capitalized lease obligations		
Due 1980 to 1985 at an average of 9% interest	**7 508**	9 514
Trade creditors		
Due 1979, interest free	**—**	1 472
Other liabilities	**3 004**	3 503
Total long term debt — Note 7(e)	**102 641**	121 204
Deduct: Amounts due within one year	**9 721**	13 145
	$ 92 920	$108 059

Note 7 — Long term debt (continued)

(a) Sinking fund and Collateral debentures are secured by a floating charge on all the assets (except real and immovable properties) of the Parent Corporation. The Corporation has purchased $1 828 000 Series A and $1 237 000 Series B in anticipation of sinking fund requirements.

(b) Debentures are convertible at the holders' option before October 12, 1982 into 90 no par value Common shares for each $1 000 of principal.

(c) The interest rate fluctuates with changes in the New York prime rate or the London inter-bank rate at the Corporation's option. The average interest rate in effect at June 30, 1979 was 11.8%.

(d) The provisions of the agreements for these obligations require, among other things, that certain subsidiaries (i) maintain working capital and net worth above specified minimum levels, (ii) maintain the ratio of debt to net worth within prescribed limits, (iii) limit operating losses as defined and (iv) limit the payment of dividends to the Parent Corporation.

These loans are secured by a charge on the shares of certain subsidiaries.

The loans can be prepaid at any time at the Corporation's option without penalty.

The Revolving loan agreement is automatically extendible to July, 1983 under certain circumstances.

(e) After allowing for pre-payments, the aggregate annual payments required on long term debt for years ending June 30 are:

1980	$ 9 721 000
1981	9 520 000
1982	19 086 000
1983	7 628 000
1984	13 182 000
1985 — 1994	43 504 000
	$ 102 641 000

Note 8 — Leases

As at June 30, 1979 the future annual minimum payments for building and equipment leases that have initial non-cancellable terms in excess of one year are as follows:

1980	$ 3 637 000
1981	2 408 000
1982	2 012 000
1983	1 790 000
1984	1 754 000
1985 — 2003	13 194 000
	$ 24 795 000

Note 9 — Capital stock

	1979	1978
	(in thousands of dollars)	
Cumulative First Preferred — Note 9(a)		
Authorized — 4 306 shares no par value		
Outstanding — 3 360 shares (1978 — 3 412 shares)	**$ 336**	$ 341
Second Preferred — Note 9(b)		
Authorized — 3 000 000 shares aggregate value not to exceed $30 000 000		
Issued — 1 200 000 shares in June 1979 for stated value of $25.00 each		
Series A — 600 000 shares	**15 000**	—
Series B — 600 000 shares	**15 000**	—
Common — Notes 9(a), (c), (d) and (e)		
Authorized — unlimited shares no par value		
Issued — 8 580 226 shares (1978 — 8 013 132 shares)	**61 472**	22 788
	$91 808	$23 129

(a) Effective January 1, 1979, the Corporation was continued under the Canada Business Corporations Act and the Articles of Continuance provided for the following changes to the capital structure of the Corporation: the 4 306 7% Cumulative First Preferred shares $100 par value became no par value Cumulative First Preferred shares with a fixed yearly dividend of $7.00 per share; the 3 000 000 stated value Second Preferred shares became no par value and the 22 500 000 Class A and 22 500 000 Class B Convertible shares became Common shares without limit to the number of shares which can be issued.

(b) Second Preferred shares – Series A are entitled to a cumulative dividend of $2.00 per share per annum.

Second Preferred shares – Series B are entitled to a cumulative floating rate dividend equal to one-half of a Canadian bank's prime rate plus 1.55% calculated and adjusted quarterly.

The Second Preferred shares are redeemable, in whole or in part, at the option of the Corporation after April 30, 1984 for Series A and after June 30, 1984 for Series B, at prices declining from $26.00 each to $25.00 each on and after April 30, 1990.

The Corporation has agreed to offer to purchase 120 000 Series A Second Preferred shares per annum commencing January 1, 1993 and 120 000 Series B Second Preferred shares per annum commencing July 1, 1997.

(c) During the year 565 380 Common shares were issued on conversion of $6 282 000 of 5¾% Convertible debentures, increasing the capital stock by an equal amount. There remain 558 810 Common shares reserved for the possible conversion of these debentures at any time before October 12, 1982.

(d) Under the employee share purchase plan, 1 714 shares were issued for an aggregate consideration of $21 453.

(e) On September 20, 1978, under provisions of the Canadian and Québec Income Tax Acts, the Corporation capitalized $32 381 208 out of retained earnings, transferring this amount to the capital stock account and electing that the resulting deemed dividend be considered to be paid out of "1971 capital surplus on hand". The aggregate shareholders' equity remained unchanged.

(f) The Deeds of trust and mortgage relating to the Series A, Series B, Series C and Series D Debentures contain certain restrictions, customarily found in deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payments of dividends and the reduction of capital. At June 30, 1979 the amount of shareholders' equity not restricted under the terms of the Trust deeds was $85 576 014.

Note 10 — Contingencies

Notes receivable discounted by foreign subsidiaries amount to approximately $5 593 000.

Note 11 — Canadian Anti-Inflation Legislation

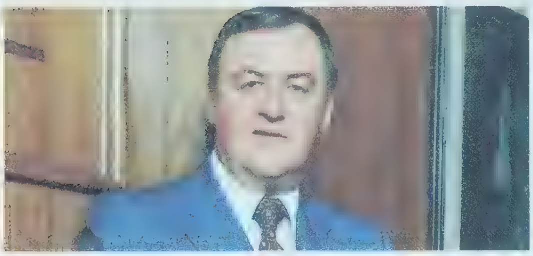
Effective January 1, 1979 the Corporation and its Canadian subsidiaries were no longer subject to anti-inflation legislation. The companies have adhered to this legislation and based on compliance tests, it is the management's opinion that no material liability exists under the provisions of the Act.

Directors


Gordon H. Lennard


Cal. N. Moisan

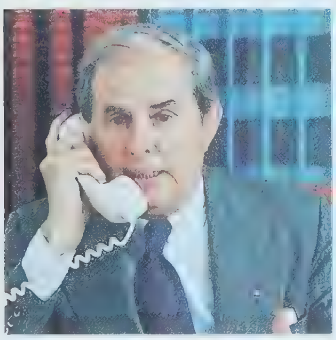

Roderick O. A. Hunter


David F. Sobey


Ronald H. Perowne


Kenneth A. White


Thomas R. Bell


J. Claude Hébert


Jean Béliveau


Charles A. McCrae


D. Ross McMaster

Jean Béliveau, Montréal
Vice-President, Corporate Affairs
Club de Hockey Canadien, Inc.

* Thomas R. Bell, Montréal
President and Chief Executive Officer
Dominion Textile Inc.

* J. Claude Hébert, D.F.C., Montréal
Business Consultant

Roderick O. A. Hunter, Winnipeg
Company Director

Gordon H. Lennard, Calgary
President
Knowlton Realty Ltd.

Charles A. McCrae, New York
President and Chief Operating Officer
DHJ Industries Inc.

‡ D. Ross McMaster, Q.C., Montréal
Partner
McMaster Meighen

Cal. N. Moisan, Montréal
President and General Manager
SPB Canada (1979) Inc.

‡ Ronald H. Perowne, Montréal
Chairman of the Board
Dominion Textile Inc.

David F. Sobey, Stellarton, Nova Scotia
President
Sobeys Stores Limited

† Kenneth A. White, K. St.J., C.D., Ottawa
Chairman, President
and Chief Executive Officer
Royal Trustco Limited

* Member of the Executive Committee
† Member of the Audit Committee

Officers

Ronald H. Perowne
Chairman of the Board

Thomas R. Bell
President and Chief Executive Officer

Francis P. Brady, Q.C.
Senior Vice-President —
Corporate Services

Harry Braid
Vice-President, General Manager —
Consumer Products Division

Arthur P. Earle
Senior Vice-President —
Operation Services

Ilay C. Ferrier
Senior Vice-President —
Finance

William N. Gagnon
Vice-President

Alex R. McAslan
Vice-President, General Manager —
Industrial Fabrics Division

William A. McVey
Vice-President, General Manager —
Apparel Fabrics Division

Robert M. Wilson
Vice-President, General Manager —
Sales Yarn Division

Clifton M. Beck
Secretary and General Counsel

Stephen J. Weir
Comptroller

Richard G. Munro
Treasurer

Ten-year Review

Results for the year (in millions of dollars)	**1979**	1978	1977	1976	1975	1974	1973	1972	1971	1970
Sales	**$667.4**	$560.0	$498.9	$475.4	$273.4	$336.2	$257.3	$228.0	$191.4	$167.8
Income before income taxes	**44.1**	31.9	25.5	22.3	12.3	33.1	15.8	14.2	8.0	4.8
Income taxes	**18.4**	12.5	10.4	8.8	5.2	14.3	7.0	7.0	3.7	1.5
Gain (loss) on translation of foreign currencies	**.8**	.4	1.1	(2.7)	—	—	—	—	—	—
Minority interest	**(1.1)**	(1.6)	(1.7)	(1.2)	—	—	—	—	—	—
Extraordinary item	**—**	—	(1.2)	—	—	—	—	—	.9	1.3
Net income for the year	**25.4**	18.2	13.3	9.6	7.1	18.8	8.8	7.2	5.2	4.6
Interest — Long term debt	**9.3**	7.8	6.2	6.0	3.2	3.0	3.0	2.4	2.7	2.9
— Other	**9.3**	6.0	7.8	7.8	5.1	5.0	2.6	2.2	2.4	2.7
Funds generated from operations	**41.8**	37.6	28.4	25.1	21.9	34.8	24.6	22.2	16.4	14.4
Additions to fixed assets	**22.2**	19.2	22.1	18.7	21.7	17.8	24.7	11.7	6.7	4.8
Depreciation	**12.6**	13.9	13.9	14.2	12.1	12.3	11.0	10.6	10.0	9.6
Year-end position (in millions of dollars)										
Working capital	**170.8**	134.5	116.8	106.1	105.6	84.1	67.6	54.7	52.3	48.5
Land, buildings and equipment — at cost	**344.6**	326.9	313.4	304.7	294.5	246.3	230.3	201.8	186.0	181.0
Total assets	**442.9**	386.6	362.3	349.5	352.0	244.7	223.7	191.8	177.5	174.8
Long term debt	**92.9**	108.1	110.1	104.4	109.7	54.8	53.7	38.8	40.0	43.3
Shareholders' equity	**195.0**	139.5	124.2	115.5	110.5	108.3	93.6	88.3	85.8	84.2
Statistics per Common share (in dollars)										
Net income — Basic	**3.02**	2.31	1.71	1.23	.91	2.40	1.12	.92	.66	.59
— Fully diluted	**2.80**	2.04	1.51	1.10	.83	2.10	1.03	.92	.66	.59
Funds generated	**4.98**	4.78	3.64	3.22	2.81	4.46	3.15	2.84	2.10	1.84
Dividends	**.73**	.64	.60	.60	.60	.50	.37	.30	.27	.20
Book value	**19.19**	17.37	15.85	14.75	14.13	13.82	11.92	11.24	10.91	10.70
Other statistics										
Working capital ratio	**2.3**	2.1	2.0	1.9	1.9	2.1	1.9	1.9	2.0	2.0
Net income as a percentage of sales	**3.8**	3.3	2.7	2.0	2.6	5.6	3.4	3.2	2.7	2.8
Net income as a percentage of average Common shareholders' equity	**16.7**	13.8	11.2	8.5	6.5	18.7	9.7	8.3	6.2	5.7
Number of shareholders	**5 323**	5 725	5 735	6 002	6 264	6 218	6 371	5 757	6 602	6 947
Average number of Common shares outstanding (in thousands)	**8 383**	7 855	7 811	7 809	7 798	7 788	7 787	7 787	7 787	7 787
Number of employees at year end	**13 200**	12 600	12 000	13 100	10 100	12 400	12 700	11 000	10 200	9 600

Interim Report

for the six months
ended December 1979

Texmade

dominion textile inc.

and subsidiaries

TO OUR SHAREHOLDERS

Consolidated net income for the second quarter ended December 31, 1979, was $9 117 000 compared with $5 592 000 for the same quarter the previous year. After preferred dividends this represents $0.96 per Common share against $0.67 per share in the second quarter last year.

Earnings for the first six months improved to $1.39 from $0.98 per share last year

Sales for the quarter of $190 115 000 were 15% over last year and sales of $351 590 000 for the six months were almost $64 000 000 ahead of the previous year.

Operations in Canada, particularly in sales yarn, corduroy and denim remain strong. However, the principal factors contributing to the improved results were increased profits from Swift Textiles in the United States and the International Division.

Discussion of a worldwide recession continues and the political climate remains uncertain. Nonetheless, the outlook for the balance of the fiscal year remains good in all segments of our business in Canada, the United States, Europe and elsewhere.

T. R. Bell
President

Montréal, January 24, 1980

ÉTAT CONSOLIDÉ DES RÉSULTATS

Non vérifié

	EN MILLIERS			
	Trois mois décembre 1979	Trois mois décembre 1978	Six mois décembre 1979	Six mois décembre 1978
Ventes	$190 115	$165 429	$351 590	$287 827
Frais d'exploitation	171 368	153 081	321 872	268 898
Bénéfice d'exploitation	18 747	12 348	29 718	18 929
Frais d'intérêt	4 667	4 643	8 666	8 409
Bénéfice d'exploitation après intérêts	14 080	7 705	21 052	10 520
Quote-part du bénéfice net des compagnies associées	603	202	866	423
Autres revenus	738	436	1 151	701
Bénéfice avant impôts sur le revenu	15 421	8 343	23 069	11 644
Impôts sur le revenu	5 798	3 058	8 590	4 066
	9 623	5 285	14 479	7 578
Gain sur la conversion de devises étrangères	122	513	51	830
Part des actionnaires minoritaires	(628)	(206)	(1 103)	(313)
Bénéfice net de l'exercice	9 117	5 592	13 427	8 095
Dividendes sur les actions privilégiées	638	6	1 241	12
Bénéfice net applicable aux actions ordinaires	$ 8 479	$ 5 586	$ 12 186	$ 8 083
Bénéfice par action ordinaire, après dividendes sur les actions privilégiées	$ 0,96	$ 0,67	$ 1,39	$ 0,98
Bénéfice dilué par action ordinaire	$ 0,93	$ 0,62	$ 1,34	$ 0,90

On calcule le bénéfice net par action ordinaire dilué selon l'hypothèse que toutes les obligations convertibles 5¾% de la société avaient été converties au début de l'exercice financier et que l'on avait redressé le bénéfice net pour tenir compte des frais d'intérêt pertinents après impôts.

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Non vérifié

	EN MILLIERS	
	Six mois décembre 1979	Six mois décembre 1978
Provenance des fonds		
Bénéfice net de l'exercice	$13 427	$ 8 095
Amortissement	6 695	6 572
Impôts sur le revenu reportés	1 635	(43)
Excédent de la quote-part du bénéfice net des compagnies associées sur les dividendes reçus	(421)	(265)
Fonds générés par l'exploitation	21 336	14 359
Augmentation de la dette à long terme	892	1 247
Émission d'actions ordinaires	3 220	4 175
Quote-part du bénéfice net des filiales revenant aux actionnaires minoritaires, déduction faite des dividendes versés	707	146
Produit de la vente d'immobilisations	477	152
Amortissement du redressement affecté aux valeurs comptables d'une filiale	1 435	—
	$28 067	$20 079
Utilisation des fonds		
Conversion d'obligations en actions ordinaires	$ 2 867	$ 1 247
Remboursement de la dette à long terme	5 152	6 721
Nouvelles immobilisations	13 431	9 336
Dividendes	5 098	2 815
Autres éléments, montant net	450	535
	$26 998	$20 654
Augmentation (diminution) du fonds de roulement	$ 1 069	$ (575)

Pour le conseil d'administration: administrateur administrateur

CONSOLIDATED STATEMENT OF INCOME

Unaudited

	THOUSANDS			
	Three months December 1979	Three months December 1978	Six months December 1979	Six months December 1978
Sales	$190 115	$165 429	$351 590	$287 827
Operating costs	171 368	153 081	321 872	268 898
Income from operations	18 747	12 348	29 718	18 929
Interest expense	4 667	4 643	8 666	8 409
Income from operations after interest	14 080	7 705	21 052	10 520
Share in net income of associated companies	603	202	866	423
Other income	738	436	1 151	701
Income before income taxes	15 421	8 343	23 069	11 644
Income taxes	5 798	3 058	8 590	4 066
	9 623	5 285	14 479	7 578
Gain on translation of foreign currencies	122	513	51	830
Minority interest	(628)	(206)	(1 103)	(313)
Net income for the period	9 117	5 592	13 427	8 095
Preferred dividends	638	6	1 241	12
Net income applicable to Common shares	$ 8 479	$ 5 586	$ 12 186	$ 8 083
Per Common share, after preferred dividends	$ 0.96	$ 0.67	$ 1.39	$ 0.98
Per Common share, fully diluted	$ 0.93	$ 0.62	$ 1.34	$ 0.90

Net income per Common share on a fully diluted basis is calculated assuming that all of the Corporation's 5¾% Convertible debentures had been converted at the beginning of the fiscal year and the net income had been adjusted by the appropriate after-tax interest expense.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Unaudited

	THOUSANDS	
	Six months December 1979	Six months December 1978
Source of funds		
Net income for the period	$13 427	$ 8 095
Depreciation	6 695	6 572
Deferred income taxes	1 635	(43)
Share in net income of associated companies in excess of dividends received	(421)	(265)
Funds generated from operations	21 336	14 359
Increase in long term debt	892	1 247
Issue of Common shares	3 220	4 175
Minority interests' share in net income of subsidiaries, net of dividends paid	707	146
Proceeds on sale of fixed assets	477	152
Amortization of adjustment to carrying values of a subsidiary	1 435	—
	$28 067	$20 079
Use of funds		
Debentures converted to Common shares	$ 2 867	$ 1 247
Repayment of long term debt	5 152	6 721
Additions to fixed assets	13 431	9 336
Dividends	5 098	2 815
Other items — net	450	535
	$26 998	$20 654
Increase (decrease) in working capital	$ 1 069	$ (575)

On behalf of the Board: N.H. Jerome Director H.Bell Director

Le bénéfice net consolidé du deuxième trimestre terminé le 31 décembre 1979 a atteint $9 117 000 comparativement à $5 592 000 pour le même trimestre l'an dernier. Après dividendes sur les actions privilégiées, cela représente $0,96 par action ordinaire par rapport à $0,67 par action au deuxième trimestre l'an dernier.

Le bénéfice par action du premier semestre s'est amélioré au point d'atteindre $1,39 par action en comparaison de $0,98 l'an dernier.

Les ventes du trimestre se sont chiffrées à $190 115 000, soit une augmentation de 15 pour cent sur l'année précédente, et les ventes du semestre ont atteint $351 590 000 représentant $64 000 000 de plus que l'an dernier.

Les activités canadiennes, particulièrement aux chapitres des fils commerciaux, du velours côtelé et du denim, demeurent solides. Cependant, les principaux facteurs qui ont contribué le plus à l'amélioration des résultats sont l'augmentation des profits de la division internationale et de Swift Textiles, Inc.

Les discussions sur une récession mondiale possible se poursuivent et le climat politique demeure incertain. Néanmoins, les perspectives du deuxième semestre de l'exercice financier sont bonnes dans tous les secteurs d'activités de la société au Canada, aux États-Unis, en Europe et ailleurs.

Le président,
Thomas R. Bell

Montréal, le 24 janvier 1980

Rapport intérimaire

e semestre terminé
cembre 1979

Texmade

dominion textile inc.

et ses filiales

Highlights of the 1979 Annual Meeting and Interim Report

for the three months
ended September 1979

Texmade

dominion textile inc.

and subsidiaries

CONTENTS

SPECIAL RESOLUTION

At the Annual Meeting on 17 October 1979, the shareholders adopted the special resolution authorizing the increase in the number of Second Preferred Shares and the aggregate consideration for which they may be issued. The vote was 6 092 083 shares in favour, or 99% of the votes cast, with 1 070 shares against.

ADDRESS TO SHAREHOLDERS

Thomas R. Bell
President

You received the Annual Report some weeks ago and consequently I do not intend to review last year's results at this meeting. It was an exciting year and new records were established in sales and earnings. However, this is now history and we must move on and try to achieve even better results in the current fiscal year.

I would like, at this time, to bring you up to date as to what has been happening in our Company since the start of the current fiscal year on July 1st.

Firstly, all facets of our Canadian operations continue to perform very strongly just as they did last year.

Outside Canada two significant events have occurred.

Ever since we expanded outside Canada four and a half years ago, our denim-manufacturing company in the United States, Swift Textiles, has been a substantial contributor to Dominion Textile's consolidated earnings and an outstanding example of a well-run business. Due to the excellence of its products and the high level of service provided, Swift has steadily increased its customer base and is now unable to supply the demand it has generated in the U.S. denim market.

I am, therefore, very pleased to announce that the Board has approved a major expansion program at Swift Textiles. We

expect to spend $24 million in Columbus, Georgia, over this and the next two fiscal years, to achieve a significant increase in output. The plan calls for construction of a new plant to accommodate the most advanced type of weaving equipment and a major expansion in the latest open-end spinning machinery in the present plant. The project will proceed without interrupting current maximum production schedules.

On another front we recently announced the merger of DHJ's domestic interlining operations with Facemate Corporation of Chicopee, Massachusetts, a privately-owned company. I should emphasize that this affects our interlining operations in the United States and Canada only. Elsewhere around the world our interlining operations are profitable and are not affected by the merger. In the United States, however, our costs of production and selling and administrative overheads have been too high to support the volume of interlining business we have been doing. As you are aware, we have been seeking a solution to this problem for some time.

The new company, to be known as DHJ-Facemate Corporation, will have its headquarters in Chicopee. We will own 50% and the shareholders of Facemate will own the other 50%.

Costs associated with the merger and the realignment of plant and office facilities will likely not permit any significant improvement to this year's earnings, but we look for substantial gains from this sector in the 1981 fiscal year's results.

Having talked about changes in our U.S. operations, let me not fail to emphasize the importance of maintaining a strong business base in Canada. The heart of the Corporation remains in this country. It is here we have developed the manufacturing and marketing expertise in textiles enabling us to

demonstrate that we are as competent and capable as anyone in the world.

I must stress that we will spend more than $30 million in our Canadian plants this fiscal year. This represents an increase of about 50% over the average spent in the past few years. As we see it, expenditures of this magnitude must be made in the Canadian plants within a relatively short time-frame to be able to take advantage of advanced technological developments.

The size of this Corporation is now such, however, that we can no longer pursue opportunities only in the Canadian market. Looking down the road, some years into the future, trade relations with the United States are likely to be liberalized to a more significant degree than at present and taking such events into account, expansion outside Canada must form part of integrated long range policy decisions designed to protect the Corporation's earnings. We have had a steady increase in earnings every year since 1975 whereas had we had to rely on the results of our Canadian operations only, a graph depicting Dominion Textile's earnings would certainly not have shown a smooth, upward trend line.

The 1970's

To all intents and purposes, in the book on Dominion Textile's history, the chapter on the last decade has been written. But, before I talk about the future, let me review some of the significant parts of the Dominion Textile story of the 1970's.

First of all, as to the decade itself, few people, I believe, would dispute the statement that it was a decade of increasing worldwide uncertainty, both economically as well as politically.

At the start of the decade our sales were $173 million; ten years later they had increased to $667 million. In 1969, Dominion Textile's net

income was $5.1 million; by 1979 it had increased five-fold and exceeded $25 million.

For Dominion Textile it was a period of unprecedented growth through capital expenditures and acquisitions. In the first half of the decade, acquisitions were concentrated in Canada and today most of the units acquired, such as Hubbard Dyers, Fireside Fabrics and Esmond, have been merged within our existing operating divisions. In 1975, a major acquisition took the Corporation beyond the borders within which we had always operated, and we were launched, in a major way, in international business.

Due to increasing size and greater complexity we evolved from a functionally organized structure to a profit-centre, or divisional, structure. The effect of this change in organization cannot be quantified but we are convinced that it contributed significantly to achieving the growth and profitability levels attained in the last years of this decade.

The decade of the 1970's has been acknowledged generally to be one of great labour unrest in both the public and the private sectors of our economy. Canada, in one of the latter years of the decade, had the dubious distinction of being close to world leader in terms of time lost through industrial disputes. We pride ourselves that during this period of labour unrest our labour relations remained generally harmonious. Some 25 collective labour agreements covering approximately 10 000 plant employees were negotiated, maintained and renewed during the decade without any significant work disruptions.

After years of representations by management and labour, in 1970 the Canadian government enunciated a textile policy similar to policies in effect in the United States and the European Economic Community. Effective implementation of this

policy came into being only in 1976 after massive imports of garments threw the domestic market into chaos and caused the layoffs of thousands of textile and garment workers. Measures under the policy are now being reviewed and we will urge the government as forcefully as possible to maintain a realistic implementation of a policy which will permit the textile industry to face the 1980's with continued confidence.

I could recite many other significant events of the 1970's, including the start of our denim and corduroy production in Canada, the continuing progress made in balancing the output of the Canadian plants and in rationalizing our product offering, and so forth. I think, however, I have said enough to demonstrate to you just how much the Corporation changed in the 1970's and how much it grew in stature in that decade.

We now have the job of trying to do even better in the 1980's.

The 1980's

As we advance towards the 1980's one of the first events of the new decade will be the 75th Anniversary of Dominion Textile.

We have an impressive history and during the years have continued to build and grow to the point where we rank today among the largest Canadian-owned manufacturing corporations as well as being, in terms of size, in the top ten textile companies in North America.

While we have learned lessons from the past, the success of this Corporation over the years has stemmed from looking forward; from trying to anticipate the world of tomorrow and preparing ourselves for its conditions. In this regard, let me enunciate some of the policies and attitudes we intend to bring with us into the 1980's.

Firstly, unless government attitudes and actions prevent us from so doing, we intend

to maintain and strengthen our Canadian base. Without a solid foundation and foothold in Canada we will be hindered in our pursuit of opportunities in other markets.

To achieve these objectives, productivity in the 1980's will have to be stressed as never before. The economics of our industry are such that major capital investments are very difficult to justify based on a five-day week operation.

In the 1960's, we were generally able to offset wage increases with productivity improvements, but this ability disappeared as the forces of inflation fueled higher wage increases in the 1970's. To meet the challenge of the 1980's and reverse this trend, both management and labour must experiment with new concepts leading to maximum utilization of production machinery.

In Dominion Textile a Productivity Council with representatives of both management and labour has been established and initial experimentation for the proper implementation of new concepts for continuous operations has commenced.

We enter the 1980's with a heightened consciousness of the importance of advanced technology in our operations and products.

Our plants at Woodstock and Hawkesbury, Ontario, are involved with the production and sale of new generation textiles, referred to in the trade as nonwovens. Our DHJ organization is a major distributor in the United States and most parts of Europe for the Du Pont family of nonwovens and this business is growing as we create new markets for these and other similar products.

To emphasize the increasingly important role we expect for this sector, the special show today, which follows the Annual Meeting,

will give our shareholders a greater appreciation of our involvement with the wonderful world of nonwovens; and I might add, we are developing certain markets not commonly associated with textiles.

We go into the 1980's in an aggressive and expansionary frame of mind.

It is characteristic of a growing enterprise that it requires a considerable amount of capital. Since the beginning of the 1970's we have added $113 million to equity capital and $48 million of long term debt. We expect to have a continuing high demand for capital in the 1980's to finance the anticipated working capital growth, the requirements for the most advanced equipment and possible acquisitions.

We had similar capital demands in the 1970's and we coped with the situation. We grew both internally and by acquisition and we finished the decade with a sound financial structure and with excellent results.

Our aim is to do no less in the 1980's.

Given expected heavy demands for capital over the coming years, one of the challenges facing your management will be to balance the desirability of reinvesting earnings to finance the future growth of the Corporation against the necessity of providing the shareholders with increased dividends. We have always acted in what we believe to be the best long term interest of shareholders and this will continue to be our policy. The dividend record has been good in the past ten years. At the beginning of the 1970's the dividend was 20¢ per share and the current annual dividend is 88¢ per share. As we proceed further into this fiscal year it is the hope and desire of our Board to improve the current rate.

There will be some new faces on the Board of Directors, of course, through the 1980's. Our senior director, Mr. Ross McMaster, has

reached the mandatory retirement age and is not standing for re-election. Mr. McMaster has been a director since 1962 and has, for some years, also served on the Executive and Audit Committees. On behalf of the shareholders, the Board and our employees, I would like to thank him for the great contribution he has made to Dominion Textile.

First Quarter Results

In closing my remarks, I would like to report on the first quarter's results.

The results for the quarter were excellent and, in fact, represent the highest first quarter earnings we have ever achieved.

Sales were up by 32% to $161 million compared with last year's $122 million.

Net income, before preferred dividends, amounted to $4.3 million against a profit of $2.5 million last year. After preferred dividends, earnings per Common share are $0.43 compared with $0.31 last year, for an increase of 39%. Furthermore, this year's per share earnings calculation is based on an additional 550,000 Common shares outstanding.

We are very pleased with the results but I should caution shareholders not to expect the same degree of improvement over the remainder of the year. You will recall that a year ago we were just starting to get into high gear during the first quarter.

Also, we must be aware of the fairly widespread public discussion about business recession in Canada and the U.S. We could talk ourselves into a downturn although no such situation is evident in the textile industry at this time.

For our part the outlook is good. Order backlogs continue to be high and we hope this condition will prevail through the balance of the year.

CONSOLIDATED STATEMENT OF INCOME
Unaudited

	THOUSANDS Three months ended September	
	1979	1978
Sales	**$161 475**	$122 398
Operating costs	**150 504**	115 817
Income from operations	**10 971**	6 581
Interest expense	**3 999**	3 766
Income from operations after interest	**6 972**	2 815
Share in net income of associated companies	**263**	221
Other income	**413**	265
Income before income taxes	**7 648**	3 301
Income taxes	**2 792**	1 008
	4 856	2 293
Gain (loss) on translation of foreign currencies	**(71)**	317
Minority interest	**(475)**	(107)
Net income for the period	**4 310**	2 503
Preferred dividends	**603**	6
Net income applicable to Common shares	**$ 3 707**	$ 2 497
Per Common share, after preferred dividends	**$ 0.43**	$ 0.31
Per Common share, fully diluted	**$ 0.41**	$ 0.28

Net income per Common share on a fully diluted basis is calculated assuming that all of the Corporation's 5¾% Convertible debentures had been converted at the beginning of the fiscal year and the net income had been adjusted by the appropriate after-tax interest expense.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Unaudited

	THOUSANDS Three months ended September	
	1979	1978
Source of funds		
Net income for the period	**$ 4 310**	$ 2 503
Depreciation	**3 339**	3 092
Deferred income taxes	**525**	(67)
Share in net income of associated companies in excess of dividends received	**(117)**	(141)
Funds generated from operations	**8 057**	5 387
Increase in long term debt	**46**	370
Issue of Common shares	**920**	927
Minority interests' share in net income of subsidiaries, net of dividends paid	**288**	65
Proceeds on sale of fixed assets	**84**	82
Other items — Net	**397**	(267)
	$ 9 792	$ 6 564
Use of funds		
Debentures converted to Common shares	**$ 752**	$ 927
Repayment of long term debt	**3 019**	2 890
Additions to fixed assets	**7 868**	4 261
Dividends	**2 508**	1 382
	$14 147	$ 9 460
Decrease in working capital	**$ 4 355**	$ 2 896

On behalf of the Board:

R. H. PEROWNE, Director
T. R. BELL, Director

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Non vérifié

	EN MILLIERS Trois mois terminés en septembre	
	1979	1978
Provenance des fonds		
Bénéfice net de l'exercice	**$ 4 310**	$ 2 503
Amortissement	**3 339**	3 092
Impôts sur le revenu reportés	**525**	(67)
Excédent de la quote-part du bénéfice net des compagnies associées sur les dividendes reçus	**(117)**	(141)
Fonds générés par l'exploitation	**8 057**	5 387
Augmentation de la dette à long terme	**46**	370
Émission d'actions ordinaires	**920**	927
Quote-part du bénéfice net des filiales revenant aux actionnaires minoritaires, déduction faite des dividendes versés	**288**	65
Produit de la vente d'immobilisations	**84**	82
Autres éléments, montant net	**397**	(267)
	$ 9 792	$ 6 564
Utilisation des fonds		
Conversion d'obligations en actions ordinaires	**$ 752**	$ 927
Remboursement de la dette à long terme	**3 019**	2 890
Nouvelles immobilisations	**7 868**	4 261
Dividendes	**2 508**	1 382
	$14 147	$ 9 460
Diminution du fonds de roulement	**$ 4 355**	$ 2 896

Pour le conseil d'administration:

R. H. PEROWNE, administrateur
T. R. BELL, administrateur

ÉTAT CONSOLIDÉ DES RÉSULTATS

Non vérifié

EN MILLIERS Trois mois terminés en septembre	1979	1978
Ventes	**$161 475**	$122 398
Frais d'exploitation	**150 504**	115 817
Bénéfice d'exploitation	**10 971**	6 581
Frais d'intérêt	**3 999**	3 766
Bénéfice d'exploitation après intérêts	**6 972**	2 815
Quote-part du bénéfice net des compagnies associées	**263**	221
Autres revenus	**413**	265
Bénéfice avant impôts sur le revenu	**7 648**	3 301
Impôts sur le revenu	**2 792**	1 008
	4 856	2 293
Gain (perte) sur la conversion de devises étrangères	**(71)**	317
Part des actionnaires minoritaires	**(475)**	(107)
Bénéfice net de l'exercice	**4 310**	2 503
Dividendes sur les actions privilégiées	**603**	6
Bénéfice net applicable aux actions ordinaires	**$ 3 707**	$ 2 497
Bénéfice par action ordinaire, après dividendes sur les actions privilégiées	**$ 0,43**	$ 0,31
Bénéfice dilué par action ordinaire	**$ 0,41**	$ 0,28

On calcule le bénéfice net par action ordinaire dilué selon l'hypothèse que toutes les obligations convertibles $5^3/_4$% de la société avaient été converties au début de l'exercice financier et que l'on avait redressé le bénéfice net pour tenir compte des frais d'intérêt pertinents après impôts.

retraite et ne sollicitera pas de nouveau mandat. Me McMaster est administrateur depuis 1962 et il a été membre durant quelques années des comités exécutif et de vérification. Au nom des actionnaires, du conseil d'administration et des employés, je voudrais le remercier de sa contribution prestigieuse à Dominion Textile.

Résultats du premier trimestre

En terminant, je voudrais enfin vous transmettre les résultats du premier trimestre.

Les résultats du trimestre ont été excellents et, de fait, ont généré les bénéfices les plus élevés jamais réalisés lors d'un premier trimestre.

Les ventes ont augmenté de 32 pour cent pour atteindre $161 millions comparativement à $122 millions l'an dernier.

Le bénéfice net, avant dividende sur les actions privilégiées, s'est chiffré à $4,3 millions en comparaison de $2,5 millions l'an dernier. Après dividende sur les actions privilégiées, le bénéfice par action ordinaire a été de 43 cents par rapport à 31 cents l'an dernier, soit une augmentation de 39 pour cent. De plus, il faut souligner que le calcul du bénéfice net par action est basé sur 550 000 actions ordinaires en circulation de plus que l'année précédente.

Nous sommes très satisfaits de ces résultats, mais je dois prévenir les actionnaires de ne pas s'attendre à de semblables améliorations tout le reste de l'exercice. On se souviendra que l'an dernier à pareille date nous ne faisions que commencer à produire à pleine capacité.

Il ne faut pas perdre de vue également les nombreuses discussions sur la place publique concernant la récession économique canadienne et américaine. Nous pourrions ainsi nous retrouver dans un tournant même si une telle situation n'est aucunement prévisible en ce moment dans l'industrie textile.

En ce qui nous concerne les perspectives sont bonnes. Notre carnet de commandes est garni et nous espérons qu'il continuera de l'être durant toute l'année.

cherchons présentement des marchés qui ne sont pas généralement reliés aux textiles.

Nous entrons dans la nouvelle décennie avec une attitude agressive et expansionniste.

C'est la caractéristique de toute entreprise en pleine croissance que d'exiger des montants considérables de capitaux. Depuis 1970, nous avons augmenté l'avoir des actionnaires de $113 millions et la dette à long terme de $48 millions. Nous nous attendons à ce qu'il y ait une forte demande de capitaux dans les années 80 pour financer la croissance prévue du fonds de roulement, des besoins en équipement plus sophistiqué et des acquisitions possibles.

Nous avons connu des demandes de capitaux similaires dans les années 70 et nous avons fait face à la situation; nous avons grandi par l'intérieur et par des acquisitions pour finalement terminer la décennie avec une structure financière solide et d'excellents résultats.

Notre but n'est certainement pas d'en faire moins durant les dix prochaines années!

Étant donné la forte demande en capitaux envisagée pour les prochaines années, l'un des défis auquel doit faire face votre management sera d'équilibrer le réinvestissement souhaitable des bénéfices pour financer la croissance future de la société et la nécessité d'accroître le dividende des actionnaires. Nous avons toujours agi selon ce que nous avons cru du meilleur intérêt de nos actionnaires à long terme et nous entendons poursuivre cette politique. Nous avons versé de bons dividendes durant les dix dernières années. Au début des années 70, le dividende était de 20 cents par action, alors qu'il est présentement de 88 cents par action par année. À mesure que le présent exercice progressera, votre conseil d'administration espère et souhaite pouvoir améliorer le taux actuel.

Évidemment, il y aura de nouvelles figures au conseil d'administration durant la prochaine décennie. Le doyen de nos administrateurs, M. Ross McMaster, par exemple, a atteint l'âge obligatoire de la

Pour atteindre à ces objectifs, il faudra insister davantage et plus que jamais sur la productivité durant la prochaine décennie. Les données économiques de notre industrie sont telles qu'il devient très difficile de justifier tout investissement majeur par une production sur cinq jours par semaine seulement.

Dans les années 60, nous avons été capables dans bien des cas de compenser les augmentations de salaires par des améliorations à la productivité, mais cette capacité s'est estompée lorsque l'inflation catapulta les fortes augmentations de salaires des années 70. Afin de relever le défi des années 80 et de renverser la vapeur, le management et les travailleurs devront tous expérimenter de nouveaux concepts qui mèneront à l'utilisation optimale de la machinerie.

Un conseil sur la productivité a été formé chez Dominion Textile composé de représentants de la société et des syndicats et on a déjà entrepris certaines expériences sur l'implantation judicieuse du nouveau concept qu'est la production continue.

Nous abordons l'année 1980 tout à fait conscients de l'importance que revêt la technologie moderne pour l'avenir de nos installations manufacturières et de nos produits.

Nos usines de Woodstock et Hawkesbury en Ontario sont engagées dans la production et la vente d'une nouvelle génération de textiles, celle qu'on appelle, dans l'industrie, les non-tissés. Déjà, le groupe DHJ s'occupe de la distribution aux États-Unis et dans plusieurs pays d'Europe de non-tissés de la famille Du Pont. Le volume des affaires s'accroît à mesure que de nouveaux débouchés pour ce type de produits et de produits similaires se présentent.

Pour souligner le rôle sans cesse croissant que ce secteur sera appelé à jouer, la présentation spéciale qui suivra l'assemblée annuelle d'aujourd'hui permettra à nos actionnaires d'apprécier véritablement notre implication dans le monde merveilleux des non-tissés. Je pourrais même ajouter que nous

importations massives de vêtements. Les mesures avancées par cette politique sont en voie de révision et nous exigerons avec force du gouvernement qu'il pratique une application réaliste de sa politique des textiles de façon à permettre à l'industrie textile d'aborder les années 80 avec confiance.

Je pourrais continuer d'énumérer plusieurs autres faits marquants des années 70 comme le début de notre production de velours côtelés et de denim au Canada, le progrès continuel réalisé quant à l'équilibre de notre production canadienne et à la rationalisation de nos produits et le reste. Mais, je pense que j'en ai dit assez pour vous démontrer jusqu'à quel point la société a évolué et grandi durant la dernière décennie.

Notre objectif maintenant est d'essayer de faire mieux dans les années 80.

Les années 80

Alors que nous approchons de 1980, l'un des premiers événements de la nouvelle décennie sera le 75e anniversaire de Dominion Textile.

Nous avons écrit une histoire impressionnante et au cours des années nous avons continué de bâtir, tellement que notre croissance en est au point où aujourd'hui nous nous rangeons parmi les plus grandes sociétés canadiennes de fabrication et parmi les dix entreprises textiles les plus importantes en Amérique du Nord, en termes de stature.

Nous avons certainement tiré des leçons du passé, mais le succès de notre société au cours des années a reposé sur sa prévoyance, sur sa capacité d'étudier le monde de demain et de se préparer aux nouvelles situations. À cet effet, permettez-moi d'énoncer quelques-unes des politiques et attitudes que nous entendons adopter durant les années 80.

D'abord, à moins que l'attitude et les politiques du gouvernement nous en empêchent, nous avons l'intention de maintenir et renforcer notre base canadienne. Sans solide fondation ou point d'appui au Canada, notre recherche de débouchés sur d'autres marchés serait entravée.

Pour ce qui est de Dominion Textile ce fut une période de croissance sans précédent en immobilisations et en acquisitions. Durant la première moitié de la décennie, ces acquisitions se sont concentrées au Canada et, aujourd'hui, la plupart des unités acquises, comme Hubbard Dyers, Fireside Fabrics et Esmond, ont été intégrées aux divisions d'exploitation existantes. En 1975, une importante acquisition devait amener la société au-delà de nos frontières habituelles et la lancer sur la voie du commerce international et ce, de façon éloquente.

À cause de la croissance et de la complexité accrue de l'entreprise, nous sommes passés d'une structure fonctionnelle unique à une structure divisionnelle où chaque division est considérée comme centre de profits. L'impact de ce changement organisationnel ne peut pas être quantifié, mais nous sommes convaincus qu'il a contribué pour beaucoup à la croissance et à la rentabilité réalisées vers la fin de la décennie.

Les années 70 ont été témoins d'importants troubles ouvriers dans les secteurs public et privé de l'économie. Le Canada, vers la fin de la décennie, détenait la distinction peu enviable d'être parmi les leaders mondiaux en termes de temps perdu à cause de disputes industrielles. Nous sommes fiers de dire que durant cette même période de difficultés ouvrières, nos relations avec les syndicats sont demeurées généralement harmonieuses. Nous avons négocié, maintenu et renouvelé quelque 25 conventions collectives de travail touchant approximativement 10 000 travailleurs d'usine durant la dernière décennie sans interruptions de travail d'importance.

Après plusieurs années de représentation de la part du management et des leaders syndicaux, le gouvernement canadien énonçait en 1970 une politique des textiles semblable à celle qui existait aux États-Unis et au Marché commun européen. Mais l'implantation réelle de cette politique ne s'est réalisée qu'en 1976 après le chaos du marché domestique et la mise à pied de milliers de travailleurs du textile et du vêtement qu'avaient provoqués les

que nous étions aussi compétents et capables que n'importe qui dans le monde.

Je dois souligner que nous dépenserons plus de $30 millions dans nos usines canadiennes durant l'exercice en cours, soit une augmentation de 50 pour cent sur la moyenne des récentes années. À notre point de vue, nous nous devons d'effectuer des dépenses de cette ampleur dans nos usines canadiennes durant une période de temps relativement courte, si nous voulons être capables de bénéficier des développements technologiques à notre portée.

Cependant, l'étendue de la société est telle que l'on ne peut pas se contenter du seul marché canadien. En regardant au loin, dans quelques années d'ici, on peut entrevoir que les relations commerciales avec les États-Unis seront, semble-t-il, davantage libéralisées et, en conséquence, toute expansion à l'extérieur du Canada doit faire partie intégrante d'une politique à long terme conçue pour protéger les bénéfices de la société. Nous avons connu une augmentation continuelle de nos bénéfices à chaque année depuis 1975, mais, si nous avions dû compter sur les résultats de nos activités canadiennes seulement, le graphique des bénéfices de Dominion Textile ne démontrerait certainement pas aujourd'hui une courbe ascendante.

Les années 70

À toute fin pratique, le chapitre de la dernière décennie est maintenant écrit dans le livre d'histoire de Dominion Textile. Mais avant de parler du futur, laissez-moi passer en revue les événements marquants des années 1970 chez Dominion Textile.

En premier lieu, en ce qui a trait à la décennie elle-même, il se trouvera fort peu de gens pour nier le fait qu'elle fut une décennie d'incertitude croissante au plan mondial, que ce soit au niveau économique ou politique.

Au début des années 70, nos ventes atteignaient $173 millions; dix ans plus tard elles avaient augmenté à $667 millions. En 1969, le bénéfice net de Dominion Textile était de $5,1 millions; en 1979, il était passé à plus de $25 millions, soit cinq fois plus.

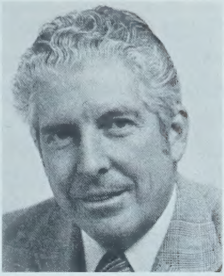
un important programme d'expansion chez Swift Textiles. Nous allons dépenser $24 millions à Columbus en Géorgie au cours du présent et des deux prochains exercices financiers afin d'augmenter considérablement le volume de production. Nous allons construire une nouvelle usine qui abritera des métiers à tisser des plus modernes et nous projetons également d'ajouter sensiblement à la machinerie hautement technologique de filage à bouts rompus déjà installée dans l'usine existante. Le projet sera réalisé sans interruption des horaires de production actuels.

Sur un autre front, nous avons récemment annoncé la fusion de la division domestique des triplures avec Facemate Corporation, de Chicopee au Massachusetts, une compagnie privée. J'insiste sur le fait que cette fusion concerne uniquement nos activités de triplures aux États-Unis et au Canada et n'affecte en rien ces mêmes activités ailleurs dans le monde qui, du reste, sont fort rentables. Aux États-Unis, nos coûts de production, de ventes et d'administration générale étaient trop élevés en comparaison du volume d'affaires que nous connaissions dans les triplures. Comme vous le savez, nous cherchions une solution à ce problème depuis quelque temps déjà.

La nouvelle compagnie portera le nom de DHJ-Facemate Corporation et son siège social sera situé à Chicopee. Nous détiendrons 50 pour cent des actions et les actionnaires de Facemate l'autre 50 pour cent. Les coûts de la fusion et du réarrangement des usines et bureaux ne nous permettront pas vraisemblablement d'améliorer de beaucoup les bénéfices de cette année, mais nous entrevoyons des gains substantiels dans ce secteur à l'exercice financier de 1981.

Je viens de parler des changements survenus aux États-Unis, mais laissez-moi insister sur l'importance de maintenir une base commerciale solide au Canada. Le coeur de la société reste dans ce pays. C'est ici que nous avons acquis notre expertise en fabrication et en mise en marché des textiles, expertise qui nous a permis de démontrer

ALLOCUTION AUX ACTIONNAIRES



Thomas R. Bell
Président

Vous avez déjà reçu le rapport annuel il y a quelques semaines et par conséquent je n'ai pas l'intention de passer en revue les résultats du précédent exercice financier à cette assemblée. Ce fut une année palpitante qui a donné lieu à de nouveaux records aux chapitres des ventes et des bénéfices. Néanmoins, tout cela est de l'histoire ancienne et nous nous devons maintenant d'atteindre à de meilleurs résultats durant l'exercice en cours.

Je voudrais surtout vous mettre au courant des divers développements survenus au sein de la société depuis le début de l'année financière qui a débuté le 1er juillet dernier.

Premièrement, nos activités canadiennes continuent de réaliser, sur tous les plans, une performance plus que remarquable, comme ce fut le cas l'an dernier.

À l'extérieur du Canada, deux événements d'importance se sont produits.

Depuis notre expansion à l'extérieur du Canada il y a quatre ans et demi, notre entreprise de fabrication de denim aux États-Unis, Swift Textiles, s'est révélée une contributrice substantielle aux bénéfices consolidés de Dominion Textile et un exemple extraordinaire d'entreprise bien administrée. Grâce à l'excellence de ses produits et à la qualité de ses services, Swift a sans cesse augmenté le nombre de ses clients et se trouve maintenant incapable de répondre à la demande qu'elle a elle-même générée sur le marché américain du denim.

Il me fait donc grandement plaisir d'annoncer que le conseil d'administration a approuvé

TABLE DES MATIÈRES

RÉSOLUTION SPÉCIALE

À l'assemblée annuelle du 17 octobre 1979, les actionnaires ont sanctionné une résolution spéciale autorisant l'augmentation du nombre d'actions privilégiées de deuxième rang et la considération globale pour laquelle elles peuvent être émises. Le résultat du vote a été le suivant: 6 092 083 actions en faveur ou 99 pour cent des votes exprimés et 1 070 actions contre.

Faits saillants de l'assemblée annuelle de 1979 et Rapport intérimaire

pour le trimestre terminé
en septembre 1979

Texmade

dominio

et ses filiales